

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Barry County	County Barry
Fiscal Year End 12/31/05	Opinion Date 3/29/06	Date Audit Report Submitted to State 5/25/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

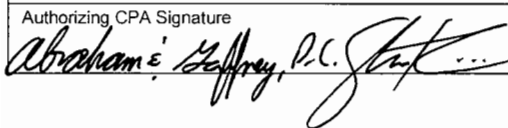
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic, CPA	
		License Number 1101022020	

Barry County, Michigan
FINANCIAL STATEMENTS
December 31, 2005

Barry County, Michigan

December 31, 2005

BOARD OF COMMISSIONERS

Clare Tripp	Chairperson
James French	Vice Chairperson
Wayne Adams	Commissioner
Dr. Michael Callton	Commissioner
Howard Gibson	Commissioner
Sandra James	Commissioner
Donald Nevins	Commissioner
Thomas Wing	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Michael Brown	Administrator
Susan VandeCar	Treasurer
Debbie Smith	Clerk
Darla Burghdoff	Register of Deeds
Tom Doyle	Drain Commissioner
Julie Nakfoor-Pratt	Prosecuting Attorney
Darin Leaf	Sheriff
William Doherty	Probate Court Judge
Gary Holman	District Court Judge
James Fisher	Circuit Court Judge
Brian Reynolds	County Surveyor

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Barry County
Hastings, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Barry County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Barry County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Barry County Road Commission or the Barry County Medical Care Facility (Thornapple Manor). The Barry County Road Commission represents 72% and 93%, respectively of the total assets and revenues of the component units. Thornapple Manor represents 54% and 90%, respectively of the total assets and revenues of the enterprise funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission and Medical Care Facility is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audits of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Barry County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2006 on our consideration of Barry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barry County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2006

Barry County

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the County of Barry, Michigan (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page i of this report, and with the County's financial statements, which follow this section.

Certain limited financial information is presented with respect to the Barry County Road Commission, the Barry County Medical Care Facility (Thornapple Manor), Barry County Substance Abuse, and the Barry County Transit in the Management Discussion and Analysis. The reader should refer to those entities separately issued financial statements for more detailed information.

Financial Highlights

Government-wide:

- Total net assets were \$38,043,444 (excluding discretely presented component units).
- Governmental activities net assets were \$24,136,724.
- Business-type activity net assets were \$13,906,720.
- Discretely presented component unit net assets were \$29,350,045.

Fund Level:

- At the close of the year, the County's governmental funds reported a combined ending fund balance of \$10,939,309 with \$284,930 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$2,879,827 more in revenues and other financing sources than anticipated for the fiscal year. Additionally, General Fund operations also expended \$2,879,827 more than appropriated. These differences are due to year end adjustments to show all of the operating levy dollars as revenue in the General Fund with the required transfer to the Revenue Sharing Reserve shown as a transfer out.
- Overall, the General Fund balance was unchanged with \$2,144,917 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$7,472,659 with a net reduction of \$491,242 from the prior year.
- The Board of Public Works drew down \$21,413 on the Water Supply System Bonds dated June 26, 2003 in the current year.
- The total long-term debt for the component units (Drainage Districts, Airport, and Board of Public Works only) was \$8,294,709 with a net reduction of \$985,200 from the prior year.
- The long-term debt for the Road Commission was \$337,817.
- The County remains well below its authorized legal debt limit.
- The net addition to the capital asset schedule for the primary government governmental activities was \$418,928.
- The net addition to the capital asset schedule for the primary government business-type activities was \$337,489.

Barry County

Management's Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's annual financial report. The annual financial report of the County consists of the following components: 1) Independent Auditors Report, 2) Management's Discussion and Analysis, and 3) the Basic Financial Statements (government-wide financial statements, fund financial statements, notes to the financial statements), Required Supplementary Information such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and Other Supplementary Information including combining financial statements for all nonmajor governmental funds and proprietary funds.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the County's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other County-wide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- **Business-type Activities** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. Thornapple Manor and the Delinquent Tax Funds are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component Units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as discretely presented component units: the Barry County Board of Public Works, the Barry County Road Commission, the Airport, Barry County Economic Development, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Barry County

Management's Discussion and Analysis

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as bonded debt, notes, and reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 3, provide information on the County's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g., Fringe Benefits) as well as enterprise funds such as Thornapple Manor and the Delinquent Tax Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Barry County include the General Fund, the Central Dispatch Fund, the Revenue Sharing Reserve Fund, the Commission on Aging, the Delinquent Tax Umbrella Fund, the Delinquent Tax Revolving 2004 Fund, and Thornapple Manor. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its nonmajor funds in other supplementary sections of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

Governmental Funds - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds*, *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

Barry County

Management's Discussion and Analysis

Proprietary Funds - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is Thornapple Manor. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Fringe Benefits Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary Funds - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 17 and 18. These funds, which include trust and agency funds and the Library (Penal Fines) Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements - The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found on pages 22-56 of this report.

Required Supplementary Information - Following the Basic Financial Statements is additional Required Supplementary Information (RSI). The purpose of the RSI is to explain and support the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and the major special revenue funds.

Other Supplementary Information - Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Barry County's combined net assets were \$38,043,444 at the end of this fiscal year's operations. The net assets of the governmental activities were \$24,136,724; the business-type activities were \$13,906,720.

Net Assets as of December 31, 2005

Barry County's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	\$ 21,585,624	\$ 21,727,527	\$ 14,276,775	\$ 14,397,511	\$ 35,862,399	\$ 36,125,038
Capital assets	12,756,407	12,778,061	4,516,060	4,081,746	17,272,467	16,859,807
Total assets	34,342,031	34,505,588	18,792,835	18,479,257	53,134,866	52,984,845
Liabilities						
Current	6,610,025	8,862,282	3,036,115	3,780,504	9,646,140	12,642,786
Noncurrent	3,595,282	4,035,432	1,850,000	1,975,000	5,445,282	6,010,432
Total liabilities	10,205,307	12,897,714	4,886,115	5,755,504	15,091,422	18,653,218
Net Assets						
Invested in capital assets - net of related debt	8,886,087	8,425,500	2,541,060	1,981,746	11,427,147	10,407,246
Restricted	10,715,645	8,486,671	4,649,844	4,532,534	15,365,489	13,019,205
Unrestricted	4,534,992	4,695,703	6,715,816	6,209,473	11,250,808	10,905,176
Total net assets	<u>\$ 24,136,724</u>	<u>\$ 21,607,874</u>	<u>\$ 13,906,720</u>	<u>\$ 12,723,753</u>	<u>\$ 38,043,444</u>	<u>\$ 34,331,627</u>

Barry County Management's Discussion and Analysis

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of Barry County, assets exceeded liabilities in the governmental activities by approximately \$24.1 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$21.6 million, even when considering that the creation of the new Revenue Sharing Reserve fund (described in detail under the section headed "Financial Analysis of the Government's Funds") explains \$1.9 million of this increase.

The County's net assets in the governmental activities include approximately \$8.9 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$10.7 million. The remaining balance of unrestricted net assets (\$4.5 million or 18.9 percent) may be used to meet the government's ongoing obligations.

Comparing the amounts reported for 2005 to the prior year, the significant reduction in current liabilities reflects the phase-in of the Revenue Sharing Reserve Fund. With the implementation of this program, approximately \$2.8 million from the 2006 property tax levy that would have previously been offset by a "deferred revenue" liability (because it was not available until the subsequent year's budget), is now recognized in 2005 as revenue in the General Fund.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the year:

Changes in Net Assets for the Year Ended December 31, 2005

Barry County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 3,369,111	\$ 3,401,344	\$ 9,255,552	\$ 9,234,878	\$12,624,663	\$ 12,636,222
Operating grants and contributions	3,523,944	3,714,827	514,156	272,797	4,038,100	3,987,624
Capital grants and Contributions	134,292	119,778	23,249	-	157,541	119,778
General revenues:						
Property taxes	13,193,168	12,563,474	1,210,000	1,142,882	14,403,168	13,706,356
State Revenue Sharing	-	337,853	-	445,367	-	783,220
Investment earnings	297,196	179,419	284,962	170,444	582,158	349,863
Miscellaneous	144,914	223,979	373,418	426,289	518,332	650,268
Transfers	(64,690)	79,724	-	(140,000)	(64,690)	(60,276)
Total revenues	20,597,935	20,620,398	11,661,337	11,552,657	32,259,272	32,173,055
Expenses						
General government	7,064,642	6,924,408	-	-	7,064,642	6,924,408
Public safety	6,064,179	5,522,581	-	-	6,064,179	5,522,581
Public works	147,180	136,765	-	-	147,180	136,765
Health and welfare	3,731,947	3,217,778	-	-	3,731,947	3,217,778
Community & Econ. Development	324,469	289,962	-	-	324,469	289,962
Recreation and Cultural	605,931	512,427	-	-	605,931	512,427
Other	130,737	147,590	10,478,370	10,067,052	10,609,107	10,214,642
Total expenses	18,069,085	16,751,511	10,478,370	10,067,052	28,547,455	26,818,563
Increase in net assets	2,528,850	3,868,887	1,182,967	1,485,605	3,711,817	5,354,492
Net assets, beginning of year	21,607,874	17,738,987	12,723,753	11,238,148	34,331,627	28,977,135
Net assets, end of year	\$24,136,724	\$21,607,874	\$13,906,720	\$12,723,753	\$38,043,444	\$34,331,627

Barry County

Management's Discussion and Analysis

Governmental Activities:

The result of 2005 governmental activities was an increase of \$2,528,850 in net assets to \$24,136,724. Of the total governmental activities' net assets, \$8,886,087 is invested in capital assets less related debt, 10,715,645 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government as of December 31, 2005. The balance of \$4,534,992 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue of the governmental activities categories were property taxes at 64%, charges for services at 16%, and operating grants and contributions at 17%. The County levies multiple property tax millages for the 2004 tax year (which was recognized as revenue in 2005). Millage rates for the 2004 levies for applicable funds are as follows, General 5.5310 mills, County Parks and Recreation .2303 mills, Commission on Aging .2303 mills, Central Dispatch .9421 mills, and Thornapple Manor .8116 mills. Operating grants are the second largest source of governmental activity revenue. Examples include various State and Federal grant programs, used for purposes restricted by the grantor.

Expenses:

General government is the largest governmental activity, expending approximately \$7.1 million of the \$18.1 million total and includes offices such as District Court, Probate Court, Circuit Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Courthouse grounds and County Administrator. Public Safety is the second largest governmental activity, expending over \$6 million. Expenditures grew in this activity as a result of homeland security measures instituted post 9/11. It also includes the Sheriff and Jail operations. Health and Welfare is the third largest area, expending over \$3.7 million, and includes the Medical Examiner, District Health, Veterans Affairs, and Mental Health.

Business-type Activities:

Net assets in business-type activities increased by \$1,182,967 during 2005.

Of the total \$13.9 million of net assets in the business type activities, \$6.7 million is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS

As the County completed 2005, its governmental funds reported *combined* fund balances of \$10,939,309. This is a net increase of \$2,197,314. The net changes are summarized in the following chart:

	General Fund	Central Dispatch	Revenue Sharing Reserve	Commission on Aging	Nonmajor Governmental Funds
Fund Balance 12/31/05	\$ 2,145,917	\$ 1,284,980	\$ 4,034,463	\$ 502	\$ 3,473,447
Fund Balance 12/31/04	2,145,917	1,242,459	2,170,605	105,250	3,077,764
Net Change	\$ -0-	\$ 42,521	\$ 1,863,858	\$(104,748)	\$ 395,683

Barry County

Management's Discussion and Analysis

The General Fund balance was unchanged. This was due to various transfers out once the current year operating results were determined. The Central Dispatch fund increased by \$42,521 due mainly to decreased capital expenditures. Revenue Sharing Reserve increased \$1,863,858 due to the State requirement to transfer a portion of property taxes in this fund. The Commission on Aging fund decreased by \$104,748 due to a commitment to operate an Adult Day Care program full-time including the startup costs associated with it. The combined nonmajor funds increased by \$395,683 due mainly to the net increase in transfers for certain Special Revenue Funds, increased donations in the Animal Shelter Fund, the establishment of some new Special Revenue Funds, and reduced costs and consistent revenue in other funds.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2005, the General Fund reported a fund balance of approximately \$2.1 million. This amount is unchanged from the fund balance reported as of December 31, 2004. Of the total fund balance, \$1,000 is reserved for specific purposes.

The General Fund 2005 revenues exceeded 2005 expenditures by \$4,423,304; however, the General Fund also supports the operations of a significant number of other funds. When these transfers are taken into account, the General Fund fund balance as of December 31, 2005 was the same as the fund balance as of December 31, 2004.

General Fund Budgetary Highlights:

Barry County's budget is a dynamic document. Although adopted in October (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$16,081,249. This total was \$2,879,287 over the final amended budget. This variance was due primarily to the proper recording of taxes in accordance with State requirements to gross up property tax revenue, which had been budgeted for in the Revenue Sharing Reserve Fund.

The County's expenditure and other financing uses budget was only increased by \$13,300.

Actual County expenditures for 2005 were \$2,879,287 over budget. This is primarily due to the grossing up of property taxes in the General Fund, which were subsequently transferred to the Revenue Sharing Reserve Fund as previously noted.

Central Dispatch Fund:

Central Dispatch is a 24 hour a day, 7 days a week dispatch facility. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in Barry County. The program is primarily funded by a millage. As of December 31, 2005, the Central Dispatch Fund reported a fund balance of \$1,284,980, an increase of \$42,521 from the prior year. Of the total fund balance, \$125,000 is designated.

Revenue Sharing Reserve Fund:

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$4 million. As indicated above this fund is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the second year of a three year phase-in (less the current year draw of approximately \$978,000) that will ultimately provide deposits totaling approximately \$8.4 million to this fund. The balance in this fund is projected to be exhausted in year 2013 or 2014 at which time the County is to revert back to the State supported revenue sharing.

Barry County

Management's Discussion and Analysis

Commission on Aging Fund:

Commission on Aging is an agency dedicated to promoting, assisting and safeguarding the rights and abilities of persons age 60 and over, in order to maintain their maximum health, well-being and independence. The Commission on Aging provides meals-on-wheels, congregate meals, respite care, homemaker, transportation and adult day care services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of 2005, the County primary government had invested \$17,272,467 and \$2,182,141 for the discretely presented component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$11,446,096 for the primary government. Depreciation charges for the fiscal year totaled \$1,062,034 for the primary government and \$158,201 for the discretely presented component units (excluding the Road Commission).

	Governmental Activities	Business-type Activities	Component Units Drains	Component Unit Airport	Total
Land	\$ 2,653,096	\$ -	\$ -	\$ -	\$ 2,653,096
Construction in progress	-	531,055	-	-	531,055
Land improvements, net	239,466	64,181	-	729,122	1,032,769
Buildings, net	8,439,922	3,113,669	-	106,600	11,660,191
Vehicles and Equipment, net	1,423,923	807,155	-	4,286	2,235,364
Drains, net	-	-	1,342,133	-	1,342,133
Capital assets, net	\$ 12,756,407	\$ 4,516,060	\$ 1,342,133	\$ 840,008	\$ 19,454,608

Long-term Debt - As of December 31, 2005, the County had \$7,472,659 in bonds, loans and accumulated vacation and sick time outstanding for the primary government. The amount, \$6,866,000 was bonds with unlimited or limited taxing authority. This level of net obligation is \$491,242 less than the obligation recorded as of December 31, 2004. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Airport, Board of Public Works, and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Barry County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government.

Outstanding Debt as of December 31, 2005:

	Jan. 1, 2005	Additions	Deletions	Dec. 31, 2005
Primary Government				
Governmental Activities				
Direct County Obligations	\$ 4,280,000	\$ -	\$ 425,000	\$ 3,855,000
Loans and Leases Payable	72,561	-	57,241	15,320
Accumulated compensated absences	500,340	90,999	-	591,339
	4,852,901	90,999	482,241	4,461,659
Business-type Activities				
General Obligations	3,111,000	2,560,000	2,660,000	3,011,000
Total Primary Government	7,963,901	2,650,999	3,142,241	7,472,659
Component Units				
Road Commission				
Lease purchase agreement	-	78,000	-	78,000
Accumulated compensated absences	248,059	11,758	-	259,817
	248,059	89,758	-0-	337,817

Barry County Management's Discussion and Analysis

Component Units - continued

Board of Public Works				
Water and Sewer Bonds	\$ 8,846,868	\$ 21,413	\$ 1,045,000	\$ 7,823,281
Drainage Districts				
Drain Bonds and Notes	110,417	-	42,101	68,316
Airport				
Loan payable	<u>74,565</u>	<u>-</u>	<u>9,270</u>	<u>65,295</u>
Total Component Units	<u>9,279,909</u>	<u>111,171</u>	<u>1,096,371</u>	<u>8,294,709</u>
Total Reporting Entity	<u>\$ 17,243,810</u>	<u>\$ 2,762,170</u>	<u>\$ 4,238,612</u>	<u>\$ 15,767,368</u>
Debt Limit (10% of SEV)				<u>\$ 151,266,788</u>
Available Statutory Debt Limit				<u>\$ 136,350,576</u>

All the issuances that occurred during the year along with other changes in long-term debt in addition to a more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2005 was \$1.513 billion; therefore the County's debt limitation was \$151.3 million. The County remains well below its legal debt limit by over \$136 million.

BARRY COUNTY GOVERNMENT ECONOMIC OUTLOOK:

At the end of 2005, unreserved fund balance in the general fund was at \$2,144,917. Barry County adopted a balanced budget for 2006. During 2004, a general slowdown in the national and state economy created considerable state budget difficulties, requiring the State to reduce revenue sharing and other statutory payments to local units of government. These State revenue sharing payments were eliminated in 2005. In preparing the 2006 budget during the summer of 2005, knowing that the State had eliminated local government revenue sharing payments, the County levied the maximum allowable rate. The County remains in stable financial condition.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Barry County Administrator's Office at the Barry County Courthouse in Hastings, Michigan, (269) 945-1284.

BASIC FINANCIAL STATEMENTS

Barry County, Michigan

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,338,068	\$ 5,051,411	\$ 9,389,479	\$ 1,590,673
Investments	1,272,273	857,522	2,129,795	191,179
Receivables	8,372,070	1,937,900	10,309,970	752,579
Due from other governmental units	918,001	44,166	962,167	492,011
Internal balances	140,081	(140,081)	-0-	-
Inventories	-	-	-0-	987,786
Prepays	1,102	-	1,102	294
Other current assets	-	59,032	59,032	-
Current portion of special assessment receivable	-	-	-0-	75,574
Current portion of lease receivable	251,600	-	251,600	1,050,256
Total current assets	15,293,195	7,809,950	23,103,145	5,140,352
Noncurrent assets				
Investments	5,051,429	2,131,114	7,182,543	-
Investments, restricted	-	4,335,711	4,335,711	-
Lease receivable	1,240,000	-	1,240,000	6,818,281
Advance to fiduciary fund	1,000	-	1,000	-
Capital assets not being depreciated	2,653,096	531,055	3,184,151	13,052,033
Capital assets, net of accumulated depreciation	10,103,311	3,985,005	14,088,316	12,794,032
Total noncurrent assets	19,048,836	10,982,885	30,031,721	32,664,346
TOTAL ASSETS	34,342,031	18,792,835	53,134,866	37,804,698
LIABILITIES				
Current liabilities				
Accounts payable	130,894	535,436	666,330	42,486
Accrued liabilities	174,339	1,000,890	1,175,229	48,408
Due to other governmental units	-	-	-0-	22,074
Accrued interest payable	10,170	-	10,170	46,976
Deferred revenue	5,428,245	338,789	5,767,034	-
Current portion of compensated absences	396,781	-	396,781	-
Current portion of long-term debt	469,596	1,161,000	1,630,596	1,129,796
Total current liabilities	6,610,025	3,036,115	9,646,140	1,289,740
Noncurrent liabilities				
Noncurrent portion of compensated absences	194,558	-	194,558	259,817
Noncurrent portion of long-term debt	3,400,724	1,850,000	5,250,724	6,905,096
Total noncurrent liabilities	3,595,282	1,850,000	5,445,282	7,164,913
TOTAL LIABILITIES	10,205,307	4,886,115	15,091,422	8,454,653
NET ASSETS				
Invested in capital assets, net of related debt	8,886,087	2,541,060	11,427,147	25,712,454
Restricted for				
Public safety	1,442,775	-	1,442,775	-
Debt service	105,272	-	105,272	119,068
Other purposes	9,167,598	4,649,844	13,817,442	3,518,523
Unrestricted	4,534,992	6,715,816	11,250,808	-
TOTAL NET ASSETS	\$ 24,136,724	\$ 13,906,720	\$ 38,043,444	\$ 29,350,045

See accompanying notes to financial statements.

Barry County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions			Governmental Activities	Primary Government Business-type Activities	Total	Component Units
Primary government									
Governmental activities									
General government	\$ 7,064,642	\$ 2,123,546	\$ 1,737,441	\$ -	-	\$ (3,203,655)	\$ -	\$ (3,203,655)	\$ -
Public safety	6,064,179	372,005	392,436	130,990	-	(5,168,748)	-	(5,168,748)	-
Public works	147,180	19,587	-	-	-	(127,593)	-	(127,593)	-
Health and welfare	3,731,947	688,989	1,384,042	3,302	-	(1,655,614)	-	(1,655,614)	-
Community and economic development	324,469	54,028	-	-	-	(270,441)	-	(270,441)	-
Recreation and cultural	605,931	110,956	10,025	-	-	(484,950)	-	(484,950)	-
Interest on long-term debt	130,737	-	-	-	-	(130,737)	-	(130,737)	-
Total governmental activities	18,069,085	3,369,111	3,523,944	134,292	-	(11,041,738)	-0-	(11,041,738)	-0-
Business-type activities									
Delinquent Tax Umbrella	2,183	5,954	-	-	-	-	3,771	3,771	-
Delinquent Tax 2004	55,020	235,812	-	-	-	-	180,792	180,792	-
Thornapple Manor	9,633,605	8,517,806	215,770	-	-	-	(900,029)	(900,029)	-
Other	787,562	495,980	298,386	23,249	-	-	30,053	30,053	-
Total business-type activities	10,478,370	9,255,552	514,156	23,249	-	-0-	(685,413)	(685,413)	-0-
Total primary government	\$ 28,547,455	\$ 12,624,663	\$ 4,038,100	\$ 157,541	-	(11,041,738)	(685,413)	(11,727,151)	-0-
Component units									
Road Commission	\$ 6,494,433	\$ 42,853	\$ 8,041,699	\$ -	-	-	-	-0-	1,590,119
Economic Development	84,000	-	60,000	-	-	-	-	-0-	(24,000)
Airport	219,687	7,502	42,700	-	-	-	-	-0-	(169,485)
Board of Public Works	365,034	-	425,741	-	-	-	-	-0-	60,707
Drainage Districts	106,506	-	44,085	32,449	-	-	-	-0-	(29,972)
Total component units	\$ 7,269,660	\$ 50,355	\$ 8,614,225	\$ 32,449	-	-0-	-0-	-0-	1,427,369
General revenues									
Property taxes						13,193,168	1,210,000	14,403,168	-
Investment earnings						297,196	284,962	582,158	60,506
Miscellaneous						144,914	373,418	518,332	48,426
Transfers						(64,690)	-	(64,690)	-
Total general revenues and transfers						13,570,588	1,868,380	15,438,968	108,932
Change in net assets						2,528,850	1,182,967	3,711,817	1,536,301
Net assets, beginning of the year						21,607,874	12,723,753	34,331,627	27,813,744
Net assets, end of the year						\$ 24,136,724	\$ 13,906,720	\$ 38,043,444	\$ 29,350,045

See accompanying notes to financial statements.

Barry County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Central Dispatch
ASSETS		
Cash and cash equivalents	\$ (3,851,676)	\$ 577,376
Investments	4,561,622	699,184
Receivables		
Accounts	-	-
Taxes	5,991,451	1,204,343
Contracts	1,000	-
Interest	-	-
Due from others	504	-
Due from other funds	202,278	-
Due from other governmental units		
Federal/State	392,681	34,242
Local	10,435	-
Advance to fiduciary funds	1,000	-
TOTAL ASSETS	\$ 7,309,295	\$ 2,515,145
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 90,695	\$ 702
Accrued payroll	89,934	20,416
Accrued liabilities	19,895	3,698
Due to other funds	1,898,172	1,006
Deferred revenue	3,064,682	1,204,343
TOTAL LIABILITIES	5,163,378	1,230,165
FUND BALANCES		
Reserved for other purposes	1,000	-
Unreserved		
Designated for other purposes	-	125,000
Undesignated, reported in		
General fund	2,144,917	-
Special revenue funds	-	1,159,980
TOTAL FUND BALANCES	2,145,917	1,284,980
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,309,295	\$ 2,515,145

See accompanying notes to financial statements.

Revenue Sharing Reserve	Commission on Aging	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,223,701	\$ (85,205)	\$ 2,952,175	\$ 1,816,371
-	-	207,253	5,468,059
-	-	14,842	14,842
-	793,742	365,478	8,355,014
-	-	-	1,000
-	-	710	710
-	-	-	504
1,810,762	10,300	11,613	2,034,953
-	-	382,737	809,660
-	81,207	16,699	108,341
-	-	-	1,000
<u>\$ 4,034,463</u>	<u>\$ 800,044</u>	<u>\$ 3,951,507</u>	<u>\$ 18,610,454</u>
\$ -	\$ -	\$ 12,576	\$ 103,973
-	-	-	110,350
-	-	40,396	63,989
-	5,800	59,610	1,964,588
-	793,742	365,478	5,428,245
-0-	799,542	478,060	7,671,145
-	-	149,372	150,372
-	-	9,558	134,558
-	-	-	2,144,917
4,034,463	502	3,314,517	8,509,462
4,034,463	502	3,473,447	10,939,309
<u>\$ 4,034,463</u>	<u>\$ 800,044</u>	<u>\$ 3,951,507</u>	<u>\$ 18,610,454</u>

Barry County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds **\$10,939,309**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 19,007,259	
Accumulated depreciation is	<u>(6,250,852)</u>	
Capital assets, net		12,756,407

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	3,748,368	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(327,131)</u>	
		3,421,237

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Lease receivable		1,491,600
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	3,870,320	
Accrued interest payable	10,170	
Compensated absences	<u>591,339</u>	
		<u>(4,471,829)</u>

Net assets of governmental activities		<u><u>\$24,136,724</u></u>
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See accompanying notes to financial statements.

Barry County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Central Dispatch
REVENUES		
Taxes	\$ 11,097,622	\$ 1,407,812
Licenses and permits	162,892	-
Intergovernmental	1,761,112	139,019
Charges for services	1,680,351	-
Fines and forfeits	25,835	-
Interest and rents	268,874	34,809
Other	96,279	250
TOTAL REVENUES	15,092,965	1,581,890
EXPENDITURES		
Current		
General government	5,133,361	-
Public safety	3,915,579	1,136,242
Public works	81,865	-
Health and welfare	788,176	-
Community and economic development	313,471	-
Recreation and cultural	-	-
Other	295,222	-
Capital outlay	141,987	403,127
Debt service	-	-
TOTAL EXPENDITURES	10,669,661	1,539,369
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,423,304	42,521
OTHER FINANCING SOURCES (USES)		
Transfers in	988,284	-
Transfers out	(5,411,588)	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,423,304)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	42,521
Fund balances, beginning of year	2,145,917	1,242,459
Fund balances, end of year	\$ 2,145,917	\$ 1,284,980

See accompanying notes to financial statements.

Revenue Sharing Reserve	Commission on Aging	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 343,867	\$ 343,867	\$ 13,193,168
-	-	-	162,892
-	370,019	2,206,094	4,476,244
-	121,086	641,771	2,443,208
-	-	23,770	49,605
53,096	-	29,933	386,712
-	28,291	51,726	176,546
53,096	863,263	3,297,161	20,888,375
-	-	1,256,907	6,390,268
-	-	458,007	5,509,828
-	-	62,717	144,582
-	967,415	1,820,088	3,575,679
-	-	-	313,471
-	-	472,146	472,146
-	-	-	295,222
-	15,596	330,628	891,338
-	-	806,723	806,723
-0-	983,011	5,207,216	18,399,257
53,096	(119,748)	(1,910,055)	2,489,118
2,788,855	15,000	2,491,577	6,283,716
(978,093)	-	(185,839)	(6,575,520)
1,810,762	15,000	2,305,738	(291,804)
1,863,858	(104,748)	395,683	2,197,314
2,170,605	105,250	3,077,764	8,741,995
\$ 4,034,463	\$ 502	\$ 3,473,447	\$ 10,939,309

Barry County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ 2,197,314**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 653,228	
Depreciation expense	<u>(674,882)</u>	
Excess of capital outlay over depreciation expense		(21,654)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	255,374	
Disposal of assets of Internal Service Funds included in the total above	18,055	
Repayment of long-term debt of Internal Service Funds included in the total below	(52,645)	
Capital outlay of Internal Service Funds included in the total above	(182,279)	
Depreciation expense of Internal Service Funds included in the total above	<u>146,566</u>	
		185,071

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement		482,241
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in lease receivable	(225,750)	
Decrease in accrued interest payable	2,627	
(Increase) in accrued compensated absences	<u>(90,999)</u>	
		<u>(314,122)</u>

Change in net assets of governmental activities **\$ 2,528,850**

See accompanying notes to financial statements.

Barry County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business-type		
	Delinquent Tax Umbrella	Delinquent Tax Revolving 2004	Thornapple Manor
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,138,275	\$ 258,850	\$ 1,276,499
Investments	832,128	-	-
Receivables			
Accounts	-	-	436,810
Taxes	22,118	965,265	338,789
Interest	2,355	-	-
Other	-	-	59,032
Prepays	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Total current assets	3,994,876	1,224,115	2,111,130
Noncurrent assets			
Investments	2,131,114	-	-
Investments, restricted	-	-	4,335,711
Capital assets not being depreciated	-	-	531,055
Capital assets, net of accumulated depreciation	-	-	3,208,360
Total noncurrent assets	2,131,114	-0-	8,075,126
TOTAL ASSETS	6,125,990	1,224,115	10,186,256
LIABILITIES			
Current liabilities			
Accounts payable	1,586	-	478,204
Accrued liabilities	-	-	980,004
Due to other funds	140,081	-	-
Deferred revenue	-	-	338,789
Current portion of bonds and notes payable	-	1,036,000	125,000
Total current liabilities	141,667	1,036,000	1,921,997
Noncurrent liabilities			
Noncurrent portion of bonds and notes payable	-	-	1,850,000
TOTAL LIABILITIES	141,667	1,036,000	3,771,997
NET ASSETS			
Invested in capital assets, net of related debt	-	-	1,764,415
Restricted for employee benefits	-	-	-
Restricted for other purposes	-	-	4,649,844
Unrestricted	5,984,323	188,115	-
TOTAL NET ASSETS	\$ 5,984,323	\$ 188,115	\$ 6,414,259

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
\$ 377,787	\$ 5,051,411	\$ 2,521,697
25,394	857,522	-
11,013	447,823	-
161,550	1,487,722	-
-	2,355	-
-	59,032	-
-	-0-	1,102
44,166	44,166	-
-	-0-	80,016
619,910	7,950,031	2,602,815
-	2,131,114	855,643
-	4,335,711	-
-	531,055	-
776,645	3,985,005	327,131
776,645	10,982,885	1,182,774
1,396,555	18,932,916	3,785,589
55,646	535,436	26,921
20,886	1,000,890	-
-	140,081	10,300
-	338,789	-
-	1,161,000	-
76,532	3,176,196	37,221
-	1,850,000	-
76,532	5,026,196	37,221
776,645	2,541,060	327,131
-	-0-	2,749,072
-	4,649,844	-
543,378	6,715,816	672,165
\$ 1,320,023	\$ 13,906,720	\$ 3,748,368

Barry County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Umbrella	Delinquent Tax Revolving 2004	Thornapple Manor
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ 5,270	\$ 120,399	\$ -
Charges for services	684	115,413	8,517,806
Intergovernmental - State	-	-	215,314
Other	-	-	373,418
TOTAL OPERATING REVENUES	5,954	235,812	9,106,538
OPERATING EXPENSES			
Operating expenses	-	-	-
Contracted services	-	-	-
Salaries	-	-	5,245,428
Fringe benefits	-	-	-
Depreciation	-	-	239,999
Interest expense	-	36,803	-
Other	2,183	18,217	4,005,624
TOTAL OPERATING EXPENSES	2,183	55,020	9,491,051
OPERATING INCOME (LOSS)	3,771	180,792	(384,513)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Property taxes	-	-	1,210,000
Loss from sale of property	-	-	(24,266)
Contributions	-	-	456
Interest revenue	153,271	3,599	123,459
Interest expense	-	-	(118,288)
TOTAL NONOPERATING REVENUES (EXPENSES)	153,271	3,599	1,191,361
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	157,042	184,391	806,848
TRANSFERS IN (OUT)			
Transfers in	436,897	2,595	-
Transfers out	(2,595)	-	-
TOTAL TRANSFERS IN (OUT)	434,302	2,595	-0-
CHANGE IN NET ASSETS	591,344	186,986	806,848
Net assets, beginning of year	5,392,979	1,129	5,607,411
Net assets, end of year	\$ 5,984,323	\$ 188,115	\$ 6,414,259

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 218,248	\$ 343,917	\$ -
277,732	8,911,635	2,969,891
-	215,314	-
-	373,418	44,098
495,980	9,844,284	3,013,989
773,101	773,101	69,957
-	-0-	80,203
-	5,245,428	-
-	-0-	2,959,772
-	239,999	146,566
9,434	46,237	1,154
5,027	4,031,051	6,206
787,562	10,335,816	3,263,858
(291,582)	(491,532)	(249,869)
321,635	321,635	-
-	1,210,000	-
-	(24,266)	-
-	456	-
4,633	284,962	34,366
-	(118,288)	-
326,268	1,674,499	34,366
34,686	1,182,967	(215,503)
-	439,492	518,792
(436,897)	(439,492)	(47,915)
(436,897)	-0-	470,877
(402,211)	1,182,967	255,374
1,722,234	12,723,753	3,492,994
\$ 1,320,023	\$ 13,906,720	\$ 3,748,368

Barry County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Umbrella	Delinquent Tax Revolving 2004	Thornapple Manor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ (2,231)	\$ 235,812	\$ 9,105,899
Cash paid to employees and suppliers	-	(55,020)	(9,053,422)
Cash paid to other governmental units - local	-	(984,114)	-
Cash received from State grants	-	-	179,811
Cash paid for employee benefits	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,231)	(803,322)	232,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental sources	-	-	-
Contributions	-	-	456
Property taxes	-	-	1,210,000
Transfers in	436,897	2,595	-
Transfers out	(2,595)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	434,302	2,595	1,210,456
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State and Federal capital assistance	-	-	-
Other capital asset transactions	-	-	-
Capital purchases	-	-	(828,804)
Interest expense	-	-	(118,288)
Note proceeds	-	2,560,000	-
Payments on borrowings	-	(1,524,000)	(125,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	1,036,000	(1,072,092)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,963,242)	-	-
Patient trust deposits - net	-	-	(2,518)
Maturity of investments	3,642,073	-	361,480
Interest revenue	153,271	3,599	123,459
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	832,102	3,599	482,421
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,264,173	238,872	853,073
Cash and cash equivalents, beginning of year	1,874,102	19,978	423,426
Cash and cash equivalents, end of year	\$ 3,138,275	\$ 258,850	\$ 1,276,499

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 1,570,200	\$ 10,909,680	\$ 3,013,989
(624,325)	(9,732,767)	(141,071)
-	(984,114)	-
-	179,811	-
-	-0-	(2,957,774)
945,875	372,610	(84,856)
292,761	292,761	-
-	456	-
-	1,210,000	-
-	439,492	518,792
(436,897)	(439,492)	(47,915)
(144,136)	1,503,217	470,877
33,704	33,704	-
-	-0-	18,055
(16,929)	(845,733)	(182,279)
-	(118,288)	-
-	2,560,000	-
(1,011,000)	(2,660,000)	(52,645)
(994,225)	(1,030,317)	(216,869)
(25,394)	(2,988,636)	(855,643)
-	(2,518)	-
-	4,003,553	1,005,638
4,633	284,962	34,366
(20,761)	1,297,361	184,361
(213,247)	2,142,871	353,513
591,034	2,908,540	2,168,184
\$ 377,787	\$ 5,051,411	\$ 2,521,697

Barry County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Umbrella	Delinquent Tax Revolving 2003	Thornapple Manor
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 3,771	\$ 180,792	\$ (384,513)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	-	239,999
(Increase) decrease in receivables	(6,475)	(965,265)	1,192,437
(Increase) decrease in other assets	-	-	(13,897)
Increase (decrease) in accounts payable	473	(18,849)	211,733
(Decrease) in deferred revenue	-	-	(924,395)
Increase (decrease) in accrued liabilities	-	-	(89,076)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ (2,231)	 \$ (803,322)	 \$ 232,288

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
		Funds
\$ (291,582)	\$ (491,532)	\$ (249,869)
147,153	387,152	146,566
1,037,060	1,257,757	-
-	(13,897)	425
46,818	240,175	18,022
-	(924,395)	-
6,426	(82,650)	-
<u>\$ 945,875</u>	<u>\$ 372,610</u>	<u>\$ (84,856)</u>

Barry County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ 1,619,340	\$ 14,322
Accounts receivable	-	6,874
Due from other governmental units	11	-
TOTAL ASSETS	<u>\$ 1,619,351</u>	<u>\$ 21,196</u>
LIABILITIES		
Accounts payable	\$ 195	\$ -
Undistributed collections payable	1,166,970	-
Advances from primary government	1,000	-
Due to other governmental units		
Federal/State	213,378	-
Due to individuals and agencies	237,808	-
TOTAL LIABILITIES	<u>\$ 1,619,351</u>	<u>\$ -0-</u>
NET ASSETS		
Held in trust for private purposes		<u>\$ 21,196</u>

See accompanying notes to financial statements.

Barry County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended December 31, 2005

	Private Purpose Trust Funds
ADDITIONS	
Intergovernmental - local	\$ 50,574
DEDUCTIONS	
General government	<u>55,613</u>
CHANGE IN NET ASSETS	(5,039)
Net assets, beginning of year	<u>26,235</u>
Net assets, end of year	<u><u>\$ 21,196</u></u>

See accompanying notes to financial statements.

Barry County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Road Commission	Drainage Districts	Board of Public Works
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,304,692	\$ 129,721	\$ 96,049
Investments	-	-	191,179
Receivables	751,798	-	781
Inventories	987,786	-	-
Prepays	-	-	-
Current portion of special assessments receivable	-	75,574	-
Current portion of lease receivable	-	-	1,050,256
Due from other governmental units	492,011	-	-
Total current assets	3,536,287	205,295	1,338,265
Noncurrent assets			
Lease receivable	-	-	6,818,281
Capital assets not being depreciated	13,052,033	-	-
Capital assets, net of accumulated depreciation	10,611,891	1,342,133	-
Total noncurrent assets	23,663,924	1,342,133	6,818,281
TOTAL ASSETS	27,200,211	1,547,428	8,156,546
LIABILITIES			
Current liabilities			
Accounts payable	39,769	-	-
Accrued liabilities	48,408	-	-
Due to other governmental units	22,074	-	-
Accrued interest payable	-	594	45,256
Current portion of long-term debt	78,000	37,100	1,005,000
Total current liabilities	188,251	37,694	1,050,256
Noncurrent liabilities			
Noncurrent portion of compensated absences	259,817	-	-
Noncurrent portion of long-term debt	-	31,216	6,818,281
Total noncurrent liabilities	259,817	31,216	6,818,281
TOTAL LIABILITIES	448,068	68,910	7,868,537
NET ASSETS			
Invested in capital assets, net of related debt	23,663,924	1,273,817	-
Restricted for			
Debt service	-	119,068	-
Other purposes	3,088,219	85,633	288,009
TOTAL NET ASSETS	\$ 26,752,143	\$ 1,478,518	\$ 288,009

See accompanying notes to financial statements.

<u>Economic Development</u>	<u>Airport</u>	<u>Total Component Units</u>
\$ 32,666	\$ 27,545	\$ 1,590,673
-	-	191,179
-	-	752,579
-	-	987,786
-	294	294
-	-	75,574
-	-	1,050,256
-	-	492,011
<u>32,666</u>	<u>27,839</u>	<u>5,140,352</u>
-	-	6,818,281
-	-	13,052,033
-	840,008	12,794,032
<u>-0-</u>	<u>840,008</u>	<u>32,664,346</u>
32,666	867,847	37,804,698
-	2,717	42,486
-	-	48,408
-	-	22,074
-	1,126	46,976
-	9,696	1,129,796
<u>-0-</u>	<u>13,539</u>	<u>1,289,740</u>
-	-	259,817
-	55,599	6,905,096
<u>-0-</u>	<u>55,599</u>	<u>7,164,913</u>
<u>-0-</u>	<u>69,138</u>	<u>8,454,653</u>
-	774,713	25,712,454
-	-	119,068
<u>32,666</u>	<u>23,996</u>	<u>3,518,523</u>
<u>\$ 32,666</u>	<u>\$ 798,709</u>	<u>\$ 29,350,045</u>

Barry County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Road Commission	\$6,494,433	\$ 42,853	\$ 8,041,699	\$ -	\$ 1,590,119
Drainage Districts	106,506	-	44,085	32,449	(29,972)
Board of Public Works	365,034	-	425,741	-	60,707
Economic Development	84,000	-	60,000	-	(24,000)
Airport	219,687	7,502	42,700	-	(169,485)
TOTALS	<u>\$7,269,660</u>	<u>\$ 50,355</u>	<u>\$ 8,614,225</u>	<u>\$ 32,449</u>	1,427,369
General revenues					
Investment earnings					60,506
Miscellaneous					<u>48,426</u>
Total general revenues					<u>108,932</u>
CHANGE IN NET ASSETS					1,536,301
Net assets, beginning of year					<u>27,813,744</u>
Net assets, end of year					<u>\$ 29,350,045</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Barry, Michigan was organized in 1839 and covers an area of approximately 576 square miles with the County seat located in the City of Hastings, Michigan. The County operates under an elected Board of Commissioners of eight (8) members and provides services to its approximately 56,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture. Education is provided to citizens through twelve (12) local School Districts, six (6) Intermediate School Districts, and a Community College located in the County. The School Districts and College are separate governmental entities whose financial statements are not included herein in accordance with the National Council on Governmental Accounting (NCGA) Statement 3.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Barry County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are, in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The Barry County Substance Abuse Services (Substance Abuse Fund) and Barry County Transit (Transit Fund) activities are reported on the fiscal year-end of September 30, 2005.

2. Blended Component Units

The Barry County Department of Human Services is governed by a three (3) member Board. The Board consists of two (2) members appointed by the County Board of Commissioners and one (1) State appointed member. The Board is responsible for establishing policies and the operational oversight of the local administration of the State of Michigan Social Welfare program and the long-term care Medical Care Facility. Although the employees of the Barry County Department of Human Services are employed by the State of Michigan and substantially all the programs are financed by the State. State law requires the local activities to be "blended" with the local primary government.

The Barry County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Barry County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Barry County Substance Abuse Services (Substance Abuse Fund) and Barry County Transit (Transit Fund) for the year ended September 30, 2005 and the financial statements of the Thornapple Manor Medical Care Facility (Thornapple Manor Fund) for the year ended December 31, 2005, component units of the County of Barry, are included in these financial statements as blended component units. These component units are also audited individually. Complete financial statements are issued under separate cover and may be obtained from their respective administrative offices.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Blended Component Units - continued

The Barry County Transit receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing, and specialized services, and replace buses and other equipment. The Transit provides demand response services within Barry County. The Transit also provides special services on a contractual basis to several nonprofit and governmental agencies within the County.

The Thornapple Manor Medical Care Facility is a 138-bed, long-term medical care unit owned and operated by Barry County. It is governed by the Barry County Department of Human Services Board. This Board consists of three (3) members, two (2) of whom are appointed by the Barry County Board of Commissioners, and one (1) appointed by the Michigan Governor.

The Barry County Substance Abuse Service activities is governed by a nine (9) member board of Directors of which three (3) members are County Commissioners and six (6) members are from the community at large. Much of Barry County Substance Abuse Services' funding comes from a contract with Kalamazoo Human Service Department, Substance Abuse Services, which is charged with funding and overseeing services in Barry, Branch, Kalamazoo, and St. Joseph Counties.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Barry County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Barry County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Barry County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the Barry County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Barry County Economic Development Board is appointed by the County Board of Commissioners. The Development may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County.

The Barry County Board of Public Works (BPW) is a five (5) member Board comprised of the Drain Commissioner and four (4) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW has the responsibility of administering the various public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Barry County Drainage Districts come under the jurisdiction of the Barry County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Airport Commission is classified as a joint venture with another governmental unit. The details related to this joint venture agreement are disclosed below.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Airport Commission - The County is a member of the Airport Commission, which is a joint venture that was formed by an agreement in 1977 between the Hastings City Council and the Barry County Board of Commissioners. The Commission consists of five (5) members, two (2) appointed by the Barry County Board of Commissioners, two (2) appointed by the Hastings City Council and one (1) at large member appointed by the Commission. It is responsible for acquisition of property, constructing, operating, and maintaining airport facilities. Ownership of property is vested in the City/County. It may exercise on behalf of the political subdivision by which it was created, all powers of each such political subdivision. It may not issue debt without approval from the City and County. It is designated as the agent for any Federal or State airport aid. The agreement requires that each governmental unit provide fifty (50) percent of the net budget appropriation requirements and that financial record keeping be maintained by the County.

The financial activities of the Airport Commission are reported in the County's financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Commission's funds.

Barry/Eaton District Health Department - The County is a member of the Barry/Eaton District Health Department, which is a joint venture between Barry and Eaton Counties, and was established to provide public health services. The District Health Board has representation and provides services to Barry and Eaton Counties. Both Counties provide annual appropriations and pass-through the statutory amount of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Eaton County and Barry County to provide 65 and 35 percent, respectively. In addition, the treasury function for the District Health Department rests with the Eaton County Treasurer. For this reason the District Health Department is discretely presented in the Eaton County financial statements.

The Barry/Eaton District Health Department does not issue separate financial statements. Combining component unit statements are included as part of the financial statements of Eaton County to summarize all the funds of the District Health Department. A copy of Eaton County's audit can be obtained at their Administrative offices.

5. Jointly Governed Organizations

The County participates in the following activity which is considered to be a jointly governed organization in relation to the County due to there being no ongoing financial interest or responsibility.

Region III B Area Agency on Aging - Barry County, in conjunction with Calhoun County, has entered into an agreement, which created the Region III B Area Agency on Aging that provides comprehensive services to older individuals residing in those Counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The Region III B Area Agency on Aging is governed by a seven (7) member Board appointed by the Board of Commissioners of the two (2) Counties it services. A copy of Region III B Area Agency on Aging's audit can be obtained at their Administrative offices.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Central Dispatch Fund is used to account for the operations of Barry County Central Dispatch, which provides dispatch services for eleven (11) fire agencies, ten (10) law enforcement agencies and emergency medical services throughout all of Barry County. Revenues are generated through special voted tax and state grants.
- c. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- d. The Commission on Aging Fund accounts for the money used for planning and coordinating services for senior citizens.
- e. The Delinquent Tax Umbrella Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.
- f. The Delinquent Tax Revolving 2004 Fund accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.
- g. The Thornapple Manor Fund accounts for the activities of the Thornapple Manor Medical Care Facility, a 138-bed long-term medical care unit owned and operated by Barry County. Revenues are generated by charges for services and a County appropriation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, commercial paper, and U.S. Government Securities with a maturity from date of purchase of 90 days or less.

10. Investments

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

11. Restricted Investments

Thornapple Manor has restricted investments that are limited as to use by the Barry County Department of Human Services (DHS) Board for future capital purchases.

12. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Barry County Drain Commission for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently that have been reported as noncurrent.

The County has also irrevocably pledged its full faith and credit as collateral for certain construction bonds. This project is administered by Barry County for Kellogg Community College. Payments by the College to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently that have been reported as noncurrent.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and State shared revenues, and accounts receivable related to charges for services.

14. Inventories

Inventories in the Road Commission (Component Unit) Fund are priced at cost as determined on the average cost method. Road Commission inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**15. Capital Assets****PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND THORNAPPLE MANOR)**

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 25 years
Buildings	7 - 50 years
Machinery, equipment, and vehicles	2 - 25 years
Drain infrastructure	50 years

ROAD COMMISSION - DISCRETELY PRESENTED COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the government-wide financial statements. Capital assets are defined by Barry County Road Commission on an individual basis. The dollar threshold depends on the category of the asset, but the asset must have an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Barry County Road Commission has capitalized the major infrastructure assets in accordance with GASB Statement No. 34 in the Statement of Net Assets.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	7 - 10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets - continued

THORNAPPLE MANOR - BLENDED COMPONENT UNIT

All property and equipment are valued at historical cost. Donated assets are recorded at the fair market value at the time of the donation.

Land improvements	5 - 25 years
Buildings and improvements	10 - 40 years
Equipment	5 - 25 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Advances to Other Funds/Component Units

Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.

18. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as transfers or operating revenue. All County funds record these payments to the Internal Service Funds as transfers or operating expenditures/expenses.

19. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2005, including related payroll taxes, are recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Deferred Revenue

Deferred revenue recorded in the governmental funds consists of the 2006 tax levy that was levied in 2005 and will be collected in 2006 and is not available for current year expenditures. Drainage Districts and other funds which have deferrals consist of amounts related to long-term special assessment tax receivables and other revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

21. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to August 1, County departments in conjunction with the Administrator's Office, prepare and submit their proposed operating budgets to the Liaison Committee who reviews and makes recommendations to the Finance Committee for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of a budget resolution.
- d. The budgets are legally adopted at the activity, functional, and account level for the General Fund and the fund level for the Special Revenue Fund. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all fund budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts without Board approval.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.
- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.

22. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

23. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit Reports and financial data will be issued under separate cover as supplementary information to the financial statements.

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately sixty (60) funds. Cash overdrafts of individual funds as of December 31, 2005, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Non-pooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(5,015,365)	\$ 1,163,689	\$(3,851,676)
Special Revenue Funds			
Central Dispatch	(80,274)	657,650	577,376
Remonumentation	(51,894)	-	(51,894)
Community Corrections	(26,107)	-	(26,107)
Adult Drug Court	(59,765)	-	(59,765)
Juvenile Drug Court	(59,436)	-	(59,436)
Commission on Aging	(142,886)	57,681	(85,205)
Veterans Trust	(2,696)	-	(2,696)
Enterprise Funds			
Transit	(15,724)	112,350	96,626
Internal Service Funds			
Dental and Optical	(40,124)	-	(40,124)
TOTAL PRIMARY GOVERNMENT	(5,494,271)	1,991,370	(3,502,901)
COMPONENT UNITS			
Board of Public Works			
Debt Service			
1999 Middleville Sewer	(51)	270	219
Drainage Districts			
Debt Service			
Algonquin Lake Dam Project	(638)	4,155	3,517
Capital Projects			
Revolving Drain	(64,991)	-	(64,991)
TOTAL COMPONENT UNITS	(65,680)	4,425	(61,255)
TOTAL REPORTING ENTITY	<u>\$(5,559,951)</u>	<u>\$ 1,995,795</u>	<u>\$(3,564,156)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately sixty funds. The County's pooled cash accounts consist of a common checking account and mutual funds.

The County's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and the component unit funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the combined balance sheet.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, mutual funds, commercial paper, and U.S. Government Securities are held separately by several of the County's funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 709,000	\$ 2,087,361
Savings accounts	4,915,910	4,915,909
Certificates of deposit	1,341,908	1,341,908
Thornapple Manor	<u>5,612,060</u>	<u>5,612,060</u>
Total primary government	12,578,878	13,957,238
COMPONENT UNITS		
Checking	140,647	140,647
Savings accounts	87,035	87,035
Certificates of deposit	191,179	191,179
Road Commission	<u>1,304,192</u>	<u>1,304,192</u>
Total component units	1,723,053	1,723,053

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDDeposits - continued

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
FIDUCIARY FUNDS		
Checking	<u>\$ 1,633,662</u>	<u>\$ 1,644,422</u>
TOTAL REPORTING ENTITY	<u>\$15,935,593</u>	<u>\$17,324,713</u>

Information concerning the deposits for Thornapple Manor and the Road Commission is presented consistent with information presented in their separately-audited financial statements. Those statements do not provide the level of detail presented above for the remainder of the County.

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2005, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$589,484 and the amount of \$16,735,229 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2005, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's/ S & P Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Insured or registered for which the securities are held by the County's agent in the County's name -				
U.S. Treasury Bonds	\$ 614,311	\$ 614,311	N/A	7 years
AIM Government and Agency - Mutual Fund	42,615	42,615	Aaa	23 days
G.E. Capital Corp. Commercial Paper	197,004	197,004	A-1	120 days
Government National Mortgage Association	1,158,391	1,158,391	Aaa	213 days
Federal Home Loan Mortgage Corporation	2,191,343	2,191,343	Aaa	7 years
Federal Home Loan Bank Corporation	2,941,373	2,941,373	Aaa	3 years
Federal National Mortgage Association	1,026,697	1,026,697	Aaa	6 years
MBIA - Michigan Class Mutual Fund	911,669	911,669	N/A	29 days
AIM Treasury - Cash Management Mutual Fund	274,040	274,040	Aaa	23 days
Public Funds Investment Trust Mutual Fund	113	113	Aaa	29 days
Fifth Third Institutional Government Money Market	972,276	972,276	AAAm	< 90 days
Advantage Government Liquidity Fund	<u>74,058</u>	<u>74,058</u>	N/A	<90 days
TOTAL PRIMARY GOVERNMENT	10,403,890	10,403,890		
COMPONENT UNITS				
Insured or registered for which the securities are held by the County's agent in the County's name -				
MBIA - Michigan Class	<u>58,299</u>	<u>58,299</u>	N/A	29 days
TOTAL REPORTING ENTITY	<u>\$10,462,189</u>	<u>\$10,462,189</u>		

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInvestments - continued

The investments are insured or registered, with securities held by Oppenheimer, Fifth-Third Securities, Inc., AIM Funds, and MBIA. The maximum insurance for investments is provided by the Securities Investor Protection Act at \$500,000 each. The investments in U.S. Treasury Securities are not insured but are backed by the full faith and credit of the Federal Government.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, rating information on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 9,389,479	\$ 1,590,673	\$ 1,633,662	\$12,613,814
Investments, current	2,129,795	191,179	-	2,320,974
Investments, noncurrent	7,182,543	-	-	7,182,543
Investments, restricted	<u>4,335,711</u>	<u>-</u>	<u>-</u>	<u>4,335,711</u>
	<u>\$23,037,528</u>	<u>\$ 1,781,852</u>	<u>\$ 1,633,662</u>	<u>\$26,453,042</u>

The primary government and component unit cash and cash equivalents captions on the statement of net assets include \$7,480 and \$500 in imprest cash, respectively. The Substance Abuse Services (Substance Abuse Fund) and Barry County Transit (Transit Fund) portion of pooled cash and cash equivalents presented above are as of December 31, 2005. However, their financial statements have been presented as of September 30, 2005, which results in a timing difference of \$47,280 for the primary government. The restricted cash of \$4,335,711 was being held for use by the Barry County Department of Human Services Board for future capital purchases for Thornapple Manor.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at December 31, 2005:

Due to General Fund from:	
Delinquent Tax Umbrella Fund	\$ 140,081
Central Dispatch Fund	1,006
Commission on Aging Fund	5,800
Nonmajor governmental funds	<u>55,391</u>
	<u>\$ 202,278</u>
Due to Revenue Sharing Reserve Fund from:	
General Fund	<u>\$ 1,810,762</u>
Due to Commission on Aging Fund from:	
Internal service funds	<u>\$ 10,300</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 7,460
Nonmajor governmental funds	<u>4,153</u>
	<u>\$ 11,613</u>
Due to internal service funds from:	
General Fund	\$ 79,950
Nonmajor governmental funds	<u>66</u>
	<u>\$ 80,016</u>

The following schedule details interfund receivables and payables related to the component units (Drainage Districts) at December 31, 2005:

Due to component unit funds from:	
Other component unit funds	<u>\$ 149,503</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and fiduciary funds at December 31, 2005:

Advance to fiduciary funds from:	
General Fund	<u>\$ 1,000</u>

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Revenue Sharing Reserve Fund	\$ 978,093
Internal service funds	425
Nonmajor governmental funds	<u>9,766</u>
	<u>\$ 988,284</u>
Transfer to Revenue Sharing Reserve Fund from:	
General Fund	<u>\$ 2,788,855</u>
Transfer to Commission on Aging Fund from:	
General Fund	<u>\$ 15,000</u>
Transfers to Delinquent Tax Umbrella Fund from:	
Nonmajor enterprise funds	<u>\$ 436,897</u>
Transfer to Delinquent Tax Revolving 2004 from:	
Delinquent Tax Umbrella Fund	<u>\$ 2,595</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,064,251
Thornapple Manor	243,763
Nonmajor governmental funds	176,073
Internal service funds	<u>7,490</u>
	<u>\$ 2,491,577</u>
Transfers to internal service funds from:	
General Fund	\$ 478,792
Internal service funds	<u>40,000</u>
	<u>\$ 518,792</u>

There is a difference of \$64,690 in the General Fund transfers out which was transferred to the Substance Abuse Fund in November 2005 but the Substance Abuse fund is reported at September 30, 2005, their fiscal year-end. There is also a difference of \$243,763, which relates to the transfer into the Building Authority Thornapple Major Addition Debt Service Fund, which is shown as a debt payment in the separately audited Thornapple Manor Fund instead of as a transfer out.

Transfer to component unit funds from:	
Other component unit funds	<u>\$ 106,205</u>

Barry County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,653,096	\$ -	\$ -	\$ 2,653,096
Capital assets being depreciated				
Land improvements	649,800	-	-	649,800
Buildings and additions	12,042,809	202,053	-	12,244,862
Equipment and furniture	<u>3,242,626</u>	<u>451,175</u>	<u>(234,300)</u>	<u>3,459,501</u>
Subtotal at historical cost	15,935,235	653,228	(234,300)	16,354,163
Less accumulated depreciation for:				
Land improvements	(385,250)	(25,084)	-	(410,334)
Buildings and additions	(3,511,358)	(293,582)	-	(3,804,940)
Equipment and furniture	<u>(1,913,662)</u>	<u>(338,161)</u>	<u>216,245</u>	<u>(2,035,578)</u>
Subtotal at historical cost	<u>(5,810,270)</u>	<u>(656,827)</u>	<u>216,245</u>	<u>(6,250,852)</u>
Net capital assets being depreciated	<u>10,124,965</u>	<u>(3,599)</u>	<u>(18,055)</u>	<u>10,103,311</u>
Capital assets, net	<u>\$ 12,778,061</u>	<u>\$ (3,599)</u>	<u>\$ (18,055)</u>	<u>\$ 12,756,407</u>

The current year depreciation expense of \$656,827 has been adjusted by \$18,055 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 334,457
General government - Internal service funds	146,566
Public safety	78,848
Health and welfare	57,897
Recreation and cultural	<u>57,114</u>
Total depreciation expense	<u>\$ 674,882</u>

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: CAPITAL ASSETS - CONTINUED**Primary Government - continued**

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Business-type activities				
Capital Assets Not Being Depreciated				
Construction in process	\$ 173,880	\$ 357,175	\$ -	\$ 531,055
Capital Assets Being Depreciated				
Land improvements	207,123	10,550	(10,521)	207,152
Buildings and additions	5,848,255	471,678	(40,270)	6,279,663
Vehicles	1,289,711	-	-	1,289,711
Equipment and furniture	1,466,169	6,330	(100,278)	1,372,221
Shop equipment	<u>31,502</u>	<u>-</u>	<u>-</u>	<u>31,502</u>
Subtotal at historical cost	8,842,760	488,558	(151,069)	9,180,249
Less accumulated depreciation for:				
Land improvements	(148,641)	(4,851)	10,521	(142,971)
Buildings and improvements	(3,003,401)	(192,497)	29,904	(3,165,994)
Vehicles	(758,903)	(107,386)	-	(866,289)
Equipment and furniture	(993,131)	(82,063)	86,377	(988,817)
Shop equipment	<u>(30,818)</u>	<u>(355)</u>	<u>-</u>	<u>(31,173)</u>
Subtotal	<u>(4,934,894)</u>	<u>(387,152)</u>	<u>126,802</u>	<u>(5,195,244)</u>
Net capital assets being depreciated	<u>3,907,866</u>	<u>101,406</u>	<u>(24,267)</u>	<u>3,985,005</u>
Capital assets, net	<u>\$ 4,081,746</u>	<u>\$ 458,581</u>	<u>\$ (24,267)</u>	<u>\$ 4,516,060</u>

Component Units

Component Unit - Drainage Districts				
Drain infrastructure	\$ 1,982,937	\$ 37,100	\$ -	\$ 2,020,037
Less accumulated depreciation for:				
Drain infrastructure	<u>(642,535)</u>	<u>(35,369)</u>	<u>-</u>	<u>(677,904)</u>
Capital assets, net	<u>\$ 1,340,402</u>	<u>\$ 1,731</u>	<u>\$ -0-</u>	<u>\$ 1,342,133</u>
Component Unit - Road Commission				
Capital assets not being depreciated:				
Land	\$ 85,433	\$ -	\$ -	\$ 85,433
Land improvements	12,477,934	423,462	-	12,901,396
Right-of-Ways	<u>65,204</u>	<u>-</u>	<u>-</u>	<u>65,204</u>
Subtotal at historical cost	12,628,571	423,462	-0-	13,052,033

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Component Unit - Road Commission - continued				
Capital assets being depreciated:				
Land improvements	\$ 214,808	\$ -	\$ -	\$ 214,808
Buildings	721,581	19,367	-	740,948
Road equipment	6,359,915	505,975	(89,791)	6,776,099
Shop equipment	169,094	-	(51,269)	117,825
Office equipment	88,128	8,701	(129)	96,700
Engineering equipment	103,596	-	(7,175)	96,421
Yard & storage equipment	103,147	-	-	103,147
Pit depletion	524,031	30,409	-	554,440
Infrastructure - bridges	2,623,674	-	-	2,623,674
Infrastructure - roads	<u>11,401,612</u>	<u>2,393,458</u>	<u>(1,214,295)</u>	<u>12,580,775</u>
Subtotal at historical cost	22,309,586	2,957,910	(1,362,659)	23,904,837
Less accumulated depreciation for:				
Land improvements	(40,889)	(10,741)	-	(51,630)
Buildings	(474,762)	(13,528)	-	(488,290)
Road equipment	(5,298,547)	(479,969)	89,791	(5,688,725)
Shop equipment	(164,217)	(1,268)	51,013	(114,472)
Office equipment	(66,386)	(8,247)	129	(74,504)
Engineering equipment	(95,163)	(5,945)	15,530	(85,578)
Yard & storage equipment	(103,147)	-	-	(103,147)
Pit depletion	(132,495)	(7,151)	-	(139,646)
Infrastructure - bridges	(722,058)	(61,504)	-	(783,562)
Infrastructure - roads	<u>(5,898,782)</u>	<u>(1,078,905)</u>	<u>1,214,295</u>	<u>(5,763,392)</u>
Subtotal at historical cost	<u>(12,996,446)</u>	<u>(1,667,258)</u>	<u>1,370,758</u>	<u>(13,292,946)</u>
Net capital assets being depreciated	<u>9,313,140</u>	<u>1,290,652</u>	<u>8,099</u>	<u>10,611,891</u>
Capital assets, net	<u>\$ 21,941,711</u>	<u>\$ 1,714,114</u>	<u>\$ 8,099</u>	<u>\$ 23,663,924</u>
Component Unit - Airport Commission				
Land improvements	\$ 2,340,213	\$ -	\$ -	\$ 2,340,213
Buildings	238,800	-	-	238,800
Equipment	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>47,500</u>
Totals at historical cost	2,626,513	-0-	-0-	2,626,513
Less accumulated depreciation for:				
Land improvements	(1,494,081)	(117,010)	-	(1,611,091)
Buildings	(128,520)	(3,680)	-	(132,200)
Equipment	<u>(41,072)</u>	<u>(2,142)</u>	<u>-</u>	<u>(43,214)</u>
Total accumulated depreciation	<u>(1,663,673)</u>	<u>(122,832)</u>	<u>-0-</u>	<u>(1,786,505)</u>
Capital assets, net	<u>\$ 962,840</u>	<u>\$(122,832)</u>	<u>\$ -0-</u>	<u>\$ 840,008</u>

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long term debt (including current portion) of the County for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations - bonds	\$ 4,280,000	\$ -	\$ 425,000	\$ 3,855,000	\$ 465,000
2002 computer system installment					
- loan	52,645	-	52,645	-0-	-
Capital lease	19,916	-	4,596	15,320	4,596
Accumulated compensated absences	500,340	90,999	-	591,339	396,781
	4,852,901	90,999	482,241	4,461,659	866,377
Business-type Activities					
General Obligation - tax notes 2004	-	2,560,000	1,524,000	1,036,000	1,036,000
General Obligation - tax notes 2003	1,011,000	-	1,011,000	-0-	-
General Obligation - BA Bonds	2,100,000	-	125,000	1,975,000	125,000
	3,111,000	2,560,000	2,660,000	3,011,000	1,161,000
TOTAL PRIMARY GOVERNMENT	7,963,901	2,650,999	3,142,241	7,472,659	2,027,377
COMPONENT UNITS					
Road Commission					
Lease purchase agreement	-	78,000	-	78,000	78,000
Accumulated compensated absences	248,059	11,758	-	259,817	-
Airport					
Loan payable	74,565	-	9,270	65,295	9,696
Board of Public Works					
Water and sewer bonds	8,846,868	21,413	1,045,000	7,823,281	1,005,000
Drainage Districts					
Drain notes and other debt	110,417	-	42,101	68,316	37,100
TOTAL COMPONENT UNITS	9,279,909	111,171	1,096,371	8,294,709	1,129,796
TOTAL REPORTING ENTITY	\$17,243,810	\$ 2,762,170	\$ 4,238,612	\$15,767,368	\$ 3,157,173

Significant details regarding outstanding long-term debt (including current portions) are presented below:

PRIMARY GOVERNMENT

The Barry County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility Buildings, Courts and Law Building, and the Kellogg Community College Building from the Barry County Building Authority. The lease agreements stipulate that annual rentals will be paid by the County and local Government to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired on these buildings, the rentals will cease, title to the buildings will be transferred to the County, or local government where applicable, and any cash balances remaining with the Building Authority will be returned to the County, or local government where applicable. In accordance with MCGA Statement 1 the 1994 Building Authority Medical Care Facility Building debt is included in the business-type activities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT - CONTINUED**

The Barry County Board of Commissioners is also party to three (3) long-term loan agreements. The proceeds of these loans were used to defray the cost of acquisition of computer equipment and additional County offices space.

Bonds and loans payable at December 31, 2005 for the governmental activities are as follows:

\$1,860,000 Building Authority Courts and Law Building Refunding Bonds, Series 2003, dated October 15, 2003, due in annual installments ranging from \$190,000 to \$240,000 through June 1, 2012, with interest ranging from 2.0 to 3.6 percent, payable semi-annually.	\$ 1,510,000
\$1,935,000 Building Authority Kellogg Community College Refunding Bonds, Series 2003, dated October 1, 2003, due in annual installments ranging from \$235,000 to \$265,000 through November 1, 2011, with interest ranging from 2.0 to 3.375 percent, payable semi-annually.	1,485,000
\$950,000 Building Authority Bonds, Series 2002, dated July 25, 2002, due in annual installments ranging from \$25,000 to \$75,000 through July 1, 2021, with interest ranging from 4.9 to 6.0 percent, payable semi-annually.	<u>860,000</u>
Total Direct County Obligations	<u>\$ 3,855,000</u>

Advance Refunding - Prior

On October 1, 2003 the County defeased the entire outstanding balance, \$1,850,000, of the 1996 Building Authority Bonds which were due and payable November 1, 2011. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2003 Refunding Bonds in the amount of \$1,935,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2005, bonds due and payable November 1, 2011 for 1996 Building Authority Bonds in the amount of \$1,450,000 are considered defeased.

On December 8, 2003 the County defeased the entire outstanding balance, \$1,775,000, of the 1993 Building Authority Bonds which were due and payable through December 1, 2012. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2003 Refunding Bonds in the amount of \$1,860,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2005, bonds due and payable December 1, 2012 for 1993 Building Authority Bonds in the amount of \$1,475,000 are considered defeased.

Accumulated Compensated Absences - Governmental Activities

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$380,551 and \$210,788 for vacation and sick, respectively, at December 31, 2005. The amounts of \$396,781 and \$194,558 have been reported as current and noncurrent liabilities, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Capital Lease - Governmental Activities

Barry Substance Abuse has entered into one (1) lease purchase agreement, under act 99 PA of 1933, as amended, to finance the acquisition of office furniture and equipment. The liability for the office furniture and equipment is recorded in the government-wide financial statements. The cost of the office furniture and equipment amounted to \$24,129. This noninterest bearing capital lease has been recorded at the present value of the future minimum lease payments as of the date of their inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rest with the Agency.

\$ 15,320

Delinquent Tax Revolving Funds - General Obligation Limited Tax Notes - Business-type Activities

The County issues General Obligation Limited Tax Notes in order to finance the purchase of delinquent real property taxes from the Cities, Villages, and Townships in the county, and from various County funds. These notes have varying maturities less than three years and are paid from delinquent tax collections. Delinquent property taxes receivable are pledged as collateral for the repayment of the outstanding delinquent tax notes.

The following represents the amount outstanding at December 31, 2005, for the General Obligation Limited Tax Notes:

\$2,560,000 Series 2004, G.O. Limited Tax Notes, dated June 1, 2005. The bonds are due in varying maturities approximately every 30 days with final payment due on June 15, 2008. Interest rates shall be variable which does not exceed 11.5%.

\$ 1,036,000

The bonds are due on the fifteenth day of each month in an amount equal to not less than 90% of the pledged delinquent taxes, interest, and County tax administration fees collected in the preceding month and remaining after providing for payment of interest due on the notes on said redemption date in increments of \$1,000 or multiples thereof at a redemption price equal to 100 percent of the principal redeemed, and accrued interest to the date of redemption, without premium.

Due to these terms, it is not possible to anticipate the amount of principal and interest that will be due each year.

By Statute, the County legal debt limit is restricted to ten percent (10%) of the equalized value of property in the County. At December 31, 2005, the County's debt limit amounts to \$151,266,788, and the long-term debt subject to the limitation is \$14,916,212.

Thornapple Manor Fund - General Obligation Bonds - Business-type Activities

Bonds payable at December 31, 2005 for the Medical Care Facility business-type activities are as follows:

\$2,395,000 Building Authority - Medical Care Facility Bonds, dated September 1, 1994, due in annual installments ranging from \$125,000 to \$225,000 through July 1, 2017, with interest ranging from 5.4 to 6.0 percent, payable semi-annually.

\$ 1,975,000

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Accumulated Employee Benefit Payable

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation, sick leave and longevity under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes amounted to \$100,779 and \$159,038 for vacation and sick, respectively, at December 31, 2005. This amount, \$259,817, has been reported as a noncurrent liability.

Lease Purchase Agreement

Lease Purchase Agreement was entered into for equipment, due in one annual installment of \$78,000 in 2006.

\$ 78,000

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Significant details regarding outstanding long-term debt (including current portions) are presented below:

The County through the Board of Public Works has constructed sewage disposal systems for Thornapple and Barry Townships, Gun Lake Sewer Authority, Southwest Barry Sewer Authority, and the Village of Middleville and is currently constructing a water tower in Yankee Springs Township. The County is leasing them to the local municipalities, who are operating, maintaining, and managing the systems. General Obligation bonds were sold with the full faith and credit of the local municipalities, and County pledged to the payment pursuant to Act 185, Public Acts of Michigan 1957, as amended. The principal and interest on bonds outstanding are to be paid out of money received from the local municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the respective bond issues, ownership of the assets will revert to the local municipalities.

Bonds payable at December 31, 2005, per respective construction projects serviced from the Debt Service Funds of the Board of Public Works are as follows:

\$4,665,000 Southwest Barry County Sewage Disposal System Refunding Bonds dated May 1, 2004, due in annual installments ranging from \$715,000 to \$850,000 through November 1, 2010, with interest ranging from 2.05 to 3.15 percent, payable semi-annually.

\$ 3,915,000

\$1,870,000 Middleville Sanitary Sewer System Refunding Bonds dated October 15, 2003, due in annual installments ranging from \$155,000 to \$220,000 through November 1, 2014, with interest ranging from 2.0 to 3.8 percent, payable semi-annually.

1,675,000

\$1,110,000 Barry Township-Fair Lake Sewage Disposal System Extension Bonds dated August 1, 1998 due in annual installment of \$60,000 to \$65,000 through May 1, 2017 with interest of 4.4 to 4.9 percent, payable semi-annually.

765,000

\$1,125,000 Middleville Sanitary Sewer System Bonds dated February 1, 1999, due in annual installments ranging from \$50,000 to \$75,000 through October 1, 2018, with interest ranging from 4.05 to 4.8 percent, payable semi-annually.

850,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED**COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED**

\$650,000 Water Supply System Bonds dated June 26, 2003, due in annual installments ranging from \$25,000 to \$33,281 through October 1, 2024, with interest at 2.5 percent, payable semi-annually.

\$ 618,281

\$ 7,823,281Advance Refunding - Prior

On May 1, 2004 the County defeased the entire outstanding balance, \$4,665,000, of the 1993 Southwest Barry County Sewage Disposal System General Obligation Limited Tax Bonds which were due and payable May 1, 2010. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Southwest Barry County Sewage Disposal System General Obligation Limited Tax 2004 Refunding Bonds in the amount of \$4,665,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2005, bonds due and payable May 1, 2010 for 1993 Southwest Barry County Sewage Disposal System General Obligation Limited Tax Bonds in the amount of \$4,100,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Significant details regarding outstanding long-term debt (including current portions) are presented below:

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes and amounts owed to other governmental units. These projects, except for the Collier-Mud Creek project, which is administered by Eaton County, are administered by the Barry County Drain Commission for various local drainage districts. The drain obligations were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable and amounts owed to other governmental units at December 31, 2005 per respective Drain projects serviced from the Debt Service Funds of the Drainage Districts are as follows:

Drain Notes

\$17,000 Early/Curtis Drainage District Note dated November 20, 2003, due in annual installments of \$5,667 through June 1, 2006, with interest of 2.91 percent, payable annually.

\$ 5,666

Due to other governmental units

\$1,300,000 Collier-Mud Creek Intercounty Drain Drainage District Bonds, dated February 1, 1998, were issued for a project administered in Eaton County. The liability is split between Eaton, Barry, and Ionia Counties. The Barry County drainage district liability for this bond issue amounts to 24.18% of the face amount of the bonds. Payment is due in annual installments of \$31,434 through May 1, 2007 less any prepaids paid directly to Eaton County.

62,650**TOTAL DRAINAGE DISTRICTS DRAIN NOTES AND OTHER OBLIGATIONS**\$ 68,316

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - AIRPORT

Loan Payable

The component unit Airport (Special Revenue) Fund, a joint venture between Barry County and the City of Hastings is party to a long-term loan agreement. The proceeds of the loan were used to construct airplane taxi streets and an access road.

Significant details regarding outstanding long-term debt (including current portions) are presented below:

\$100,000 Airport installment loan payable dated August 20, 2002, due in annual installments ranging from \$9,696 to \$12,143 with interest of 4.6 percent, payable annually. \$ 65,295

The annual requirements to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

<u>Year Ending December 31,</u>	<u>Direct County Obligations</u>		<u>Capital Lease</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 590,000	\$ 238,855	\$ 4,596
2007	580,000	221,586	4,596
2008	605,000	202,761	4,596
2009	660,000	181,488	1,532
2010	670,000	157,285	-
2011-2015	1,875,000	444,938	-
2016-2020	775,000	101,300	-
2021	<u>75,000</u>	<u>2,194</u>	<u>-</u>
	<u>\$ 5,830,000</u>	<u>\$ 1,550,407</u>	<u>\$ 15,320</u>

The above annual payment schedule does not include the tax notes because due to the terms of the notes it is not possible to anticipate the amount of principal and interest that will be due each year.

Component Units

<u>Year Ending December 31,</u>	<u>Road Commission Lease Purchase</u>	<u>Drainage Districts Drain Bonds and Notes</u>		<u>Board of Public Works Water and Sewer Bonds</u>		<u>Airport Loans Payable</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 78,000	\$ 37,100	\$ 2,412	\$ 1,005,000	\$ 235,823	\$ 9,696	\$ 3,004
2007	-	31,216	754	1,060,000	211,277	10,142	2,558
2008	-	-	-	1,105,000	182,542	10,609	2,090
2009	-	-	-	1,135,000	150,513	11,097	1,603
2010	-	-	-	1,180,000	114,538	11,608	1,093
2011-2015	-	-	-	1,655,000	305,925	12,143	559
2016-2020	-	-	-	530,000	60,255	-	-
2021-2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,281</u>	<u>9,328</u>	<u>-</u>	<u>-</u>
	<u>\$ 78,000</u>	<u>\$ 68,316</u>	<u>\$ 3,166</u>	<u>\$ 7,823,281</u>	<u>\$ 1,270,201</u>	<u>\$ 65,295</u>	<u>\$ 10,907</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan. The retirement plan also includes employees that work for County departments, which are excluded from the financial statements.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

Age 50 with 25 or more years of credited service
Age 55 with 15 or more years of credited service
Age 60 with 10 or more years of credited service
Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

Covered employees can contribute between 0% and 10% of their annual salary to the retirement system. Employees hired prior to 1985 may be allowed to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The County is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended December 31, 2005 the County's annual pension cost of \$1,069,299 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 19,386,651	\$ 21,025,746	\$ 22,817,148
Actuarial accrued liability (AAL) (entry age)	27,151,679	29,580,622	33,226,393
Unfunded AAL	7,765,028	8,554,876	10,409,245
Funded ratio	71%	71%	69%
Covered payroll	10,625,853	11,267,166	11,851,341
UAAL as a percentage of covered payroll	73%	76%	88%
Annual pension cost	872,599	987,062	1,069,299
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - ROAD COMMISSION

The Barry County Board of Road Commissioners has a 401-K, single employer defined contribution plan, available to all employees of the Road Commission. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will received depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

The plan allows each employee to determine his/her own contribution, up to 60% of his or her salary, according to current provisions of the Internal Service Code. The Road Commission contributes 10% of the employees' salary. These contributions are not dependent of the participation of the employees. The plan uses the accrual basis of accounting with investments stated at market.

Employees are allowed to borrow from their account and at December 31, 2005, the outstanding loan balances were \$111,458. Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending December 31, 2005; the Road Commission's contribution to the plan was \$166,047. Employee contributions to the plan were \$162,478 for 2005. Total 2005 payroll of the Road Commission was \$2,025,351, and total covered payroll was \$1,701,098. The Road Commission's contributions represent 9.76% of covered payroll and the employees' contributions represent 9.55% of covered payroll.

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal programs and the periodic program compliance audits of many of the State programs have not yet been conducted, completed, or resolved. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE J: CONTINGENT LIABILITIES - CONTINUED

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

NOTE K: RISK MANAGEMENT

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Primary Government

The County is self-insured for health, workers' compensation, and disability. Each participating fund of the County makes payments to the respective self-insurance Internal Service Fund equal to an established percentage of gross salaries for that fund. These payments are accounted for as fringe benefit charges in the paying fund and charges for services in the receiving fund.

As a benefit to its employees, Barry County has contracted with Blue Cross Blue Shield of Michigan for its prescription drug and medical benefits program. BCBSM provides claims administration for the prescription drug and medical benefits and stop-loss insurance protection for the medical benefits.

The employees pay a fixed copay per prescription and Barry County pays the Blue Cross Blue Shield negotiated discounted balance. Barry County is also responsible to pay for the first \$50,000 of eligible medical claims per policy year per covered contract. The County is insured for covered medical claims in excess of \$50,000, per contract per policy year, not to exceed the policy limits of \$5 million per member per lifetime, at which time Barry County has fulfilled its obligation to the employee (contract holder).

The County is completely self-insured for disability benefits. The plan covers all employees except employees at the Mental Health and Medical Care facilities. The Disability Benefits Plan provides benefits of 67% of current wages, for a period not to exceed 52 weeks. Benefits commence on the eighth day after a disabling injury or illness. The program is administered by PBS, which furnishes claims review and processing.

The County is self-insured for workers' compensation up to \$325,000 for each loss up to an aggregate amount of \$1,000,000. The County is insured for the amount of claims in excess of such limitation to a maximum of \$5,000,000 for each occurrence. The County is then self-insured for annual aggregate claims in excess of insurance coverage. The program is administered by a Service Agency that furnishes claims review and processing.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K: RISK MANAGEMENT - CONTINUED**PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED**

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Barry County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Maximum Retention</u> <u>Type of Risk</u>	<u>Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	10,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Barry County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$173,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$173,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Barry County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2005, the County had funds on deposit of \$179,187 with the Authority and reserves for reported claims of \$72,470.

Blended Component Unit

Thornapple Manor is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees.

Thornapple Manor, as part of the County, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to general and auto liability (including medical malpractice), auto physical damage and property loss claims. The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

Thornapple Manor is insured for workers' compensation claims via a policy with a commercial carrier.

Thornapple Manor is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at December 31, 2005.

Thornapple Manor, as part of the county, is self insured for employee medical benefit claims. Thornapple Manor estimates the liability (included in accounts payable) for employee medical benefit claims incurred through the end of the year, including both those claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past year were as follows:

	<u>2005</u>
Estimated liability - Beginning of the year	\$ -
Estimated claims incurred, including changes in estimates	929,717
Claims payments	<u>(929,717)</u>
Estimated liability - End of the year	<u>\$ -0-</u>

COMPONENT UNIT - ROAD COMMISSION

Barry County Road Commission is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters.

Barry County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Barry County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-Insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2005, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE L: PROPERTY TAXES AND TAX RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next February.

Although the County's 2004 ad valorem tax is levied and collectible by December 31, 2005, it is the County's policy for all governmental fund types to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy will be shifting from winter to summer.

Taxable values are established annually by the local municipalities and are equalized by the County based on State statutes at an estimated percentage of the current market value. Real and personal property in Barry County for the 2004 levy had a taxable value of \$1,512,667,876 on which ad valorem taxes levied for County general operating purposes was 5.5310 mills. The County Parks and Recreation, Commission on Aging, Central Dispatch, and Thornapple Manor Funds levied .2303, .2303, .9421, and .8116 mills, respectively.

Taxes are collected by the various tax collecting units from the date of the levy and remitted to the County through the Trust and Agency Fund for distribution to the General, Special Revenue, Debt Service, and Enterprise Funds. The property tax levied December 1 are accrued as current tax receivable with the appropriate deferral, and are budgeted as revenue in the subsequent year in the General, Parks and Recreation, Commission on Aging, Central Dispatch (Special Revenue), and Thornapple Manor (Enterprise) Funds.

Taxes receivable recorded in the respective funds at December 31, 2005, are as follows:

<u>Taxes Receivable</u>	<u>General</u>	<u>Special Revenue</u>			<u>Enterprise</u>		<u>Total</u>
		<u>Central Dispatch</u>	<u>Parks and Recreation</u>	<u>Commission on Aging</u>	<u>Delinquent Tax Revolving Funds</u>	<u>Thornapple Manor</u>	
Current	\$ 5,991,451	\$ 1,204,343	\$ 365,478	\$ 793,742	\$ -	\$ 338,789	\$ 8,693,803
Delinquent	-	-	-	-	1,148,933	-	1,148,933
	<u>\$ 5,991,451</u>	<u>\$ 1,204,343</u>	<u>\$ 365,478</u>	<u>\$ 793,742</u>	<u>\$ 1,148,933</u>	<u>\$ 338,789</u>	<u>\$ 9,842,736</u>

The delinquent taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Funds.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable.

These receivables are pledged to a bank for the payment of the notes payable, the proceeds of which were used to liquidate the amounts owed to the General, Special Revenue and Enterprise Funds and other taxing authorities. Subsequent collection on the delinquent taxes receivable, plus interest and administration fees thereon, and investment earnings are used to service the notes payable.

At the end of three (3) years any real property taxes not collected are charged back to the General, Special Revenue, and Enterprise Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

Barry County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE M: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2005:

PRIMARY GOVERNMENT

General Fund	
Reserved for other purposes	
Advances to fiduciary funds	\$ <u>1,000</u>
Nonmajor governmental funds	
Reserved for other purposes	
Grant expenditures	17,021
Perpetual care	27,079
Debt service	<u>105,272</u>
	\$ <u>149,372</u>

COMPONENT UNITS

Drainage Districts	
Reserved for debt service	\$ 119,662
Board of Public Works	
Reserved for debt service	9,270
Airport	
Reserved for prepaids	294
Reserved for capital improvements	<u>24,828</u>
TOTAL COMPONENT UNITS	\$ <u>154,054</u>

The following are the various fund balance designations as of December 31, 2005:

PRIMARY GOVERNMENT

Designated for other purposes	
Central Dispatch	
Designated for capital expenditures	\$ <u>125,000</u>
Nonmajor governmental funds	
Designated for special projects	\$ <u>9,558</u>

COMPONENT UNITS

Drainage Districts	
Designated for capital expenditures	\$ 58,329
Board of Public Works	
Designated for capital expenditures	<u>278,739</u>
TOTAL COMPONENT UNITS	\$ <u>337,068</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Public safety

Central dispatch	\$ 1,284,980
Local corrections officers training	4,707
Victims Services Unit	22,576
Community corrections	12,411
Justice training	13,798
Drug law enforcement	9,972
Special investigation	32,157
Crime victims rights week	36,439
Middleville police services	<u>25,735</u>
	<u>\$ 1,442,775</u>

Restricted for

Debt service

Friend of the Court renovation	\$ 9,976
Building Authority Courts and Law	<u>95,296</u>
	<u>\$ 105,272</u>

Other purposes

Revenue Sharing Reserve	\$ 4,034,463
Animal Shelter Donation	129,346
New Building	26,597
Perpetual Care	27,079
Friend of the Court	80,789
Solid waste planning	132,882
Register of Deeds automation	162,245
Budget stabilization	122,272
Law library	37,130
Childcare activities	945,104
CDBG Housing	17,021
Museum building	68,038
COA building	10,878
Building rehabilitation	574,160
Commission on Aging	502
Adult Drug Court	36,564
Juvenile Drug Court	72
Workers' Compensation	319,961
Health Insurance	147,252
Fringe Benefits	1,916,868
Life insurance	202
Disability	13,182
Retirement	330,212
Dental and Optical	27,680
Unemployment	<u>7,099</u>
	<u>\$ 9,167,598</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Business-type activities

Other purposes - Medical Care activities

Thornapple Manor

\$ 4,649,844

COMPONENT UNITS

Restricted for debt service

Drainage Districts

\$ 119,068

Restricted for other purposes

Drainage Districts

Restricted for drainage projects

\$ 85,633

Board of Public Works

Restricted for BPW projects

288,009

Road Commission

Restricted for county roads

3,088,219

Airport

Restricted for airport activities

23,996

Economic Development

Restricted for economic development

32,666

\$ 3,518,523**NOTE O: FLEXIBLE BENEFITS PLAN**

In January 1989 the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. No formal plan documents were present for the plan. The plan, available to all employees who are eligible for medical, dental, and other benefit plans provided by the County, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, or medical expense reimbursement benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by Barry County.

NOTE P: POST-EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In addition to providing pension benefits, the County provides certain health care benefits and life insurance, in accordance with union agreements and/or personnel policies to employees who have retired. The County has a self-insured health program which pays for claims (less deductible and co-pay) in accordance with the group that the employee retired from. For most retirees this is for the ages 60 to 65, and no retiree contribution is required. For some Sheriff Department retirees, the age is 50 or 55, but they must contribute to the program. At age 65, all retirees must contribute to the program in order to continue coverage. The activity related to the process is accounted for in the Fringe Benefits (Internal Service) Fund. The fund charges the applicable fund that the employee worked for a cost related to each retiree based on administratively determined percentage. The Internal Service Fund recognizes these charges as revenue and the payments of insurance as expense. Currently, twenty (20) retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when claims are paid. During the year, expenditures of \$247,844 were recognized for post-employment health care.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE P: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The County also pays the life insurance premium for those retirees who ask for coverage under a \$5,000 policy. The total monthly premium was \$1.90 until the cost increases to \$5 per month at which time the retiree must absorb the difference. In 2005 fifty-three (53) retirees were covered at a cost of \$1,208 to the County. Expenditures are recognized as the insurance premiums become due.

COMPONENT UNIT - ROAD COMMISSION

As of January 1, 2003, Barry County Road Commission changed their policy for providing hospitalization medical coverage for their employees following retirement. Per the policy in place as of December 31, 2002, Barry County Road Commission provided hospitalization medical coverage and life insurance on a complimentary basis for any employee who retired at age 55 with at least eight years of service. Barry County Road Commission continues to provide life insurance using the same parameters. Four (4) current employees and one (1) who retired during the year ended December 31, 2003, were grandfathered in under the previous policy.

As of January 1, 2005, Barry County Road Commission added a policy for providing \$10 per month for every year of service for their association employees retiring from January 1, 2003 to November 1, 2006. These employees must be at least 55 years of age and have at least 20 years of service. This would become effective upon retirement or January 1, 2005, whichever comes latest. Amount shall be paid until the employee is deceased. If a slot is open for health insurance through the Road Commission and the retiree chooses to be carried through the Road Commission, the current Health Insurance Cancellation Policy will apply. This is contingent upon the Employee's Association acceptance. All other current employees receive no health benefits upon retirement.

The benefits are provided based on requirements of employee contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2005, Barry County Road Commission expended \$159,447 for 36 participants currently eligible to receive benefits.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2007.

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2005, the County incurred expenditures in the General Fund and one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public safety			
Sheriff	\$ 2,030,073	\$ 2,098,407	\$ 68,334
Marine safety	92,595	103,212	10,617
Animal control	190,608	203,813	13,205
Public works	39,934	81,865	41,931
Health and welfare			
Medical examiner	73,050	73,109	59
Community and economic development			
Planning department	309,546	313,471	3,925
Capital outlay	66,350	141,987	75,637
Other financing uses			
Transfers out			
Building rehabilitation	17,500	336,369	318,869
Vehicle	116,000	222,290	106,290
Data processing	150,212	256,502	106,290
Veteran's trust	-	2,115	2,115
Remonumentation	8,372	13,717	5,345
Master land use	-	8,400	8,400
Victim services unit	-	165	165
School liaison	-	7,122	7,122
Revenue Sharing Reserve	-	2,788,855	2,788,855
Nonmajor governmental funds			
Substance abuse	506,785	523,813	17,028

NOTE R: ENDOWMENT FUND HELD BY THIRD PARTIES**COMPONENT UNIT - THORNAPPLE MANOR**

Thornapple Manor is the beneficiary of a trust, which is maintained by an outside trustee, the Barry Community Foundation. The balance in the trust was approximately \$61,000 at December 31, 2005. Approximately \$45,000 of this balance is available for distribution to the Facility.

REQUIRED SUPPLEMENTARY INFORMATION

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 8,177,358	\$ 8,110,356	\$11,085,947	\$ 2,975,591
Payments in lieu of taxes	4,000	4,000	5,840	1,840
Mobile home park taxes	4,000	4,000	5,700	1,700
Industrial and commercial facility tax	11	11	135	124
Total taxes	8,185,369	8,118,367	11,097,622	2,979,255
Licenses and permits				
Gun permits	5,000	5,000	10,166	5,166
Dog licenses	85,000	85,500	89,528	4,028
Marriage license fees	9,200	8,700	9,170	470
Planning services	60,000	55,000	54,028	(972)
Total licenses and permits	159,200	154,200	162,892	8,692
Intergovernmental - Federal/State				
Emergency management	199,218	199,218	141,254	(57,964)
Training grant	20,000	20,000	11,298	(8,702)
Cooperative reimbursement - medical	22,553	22,553	6,356	(16,197)
Community oriented policing	-	-	1,974	1,974
ADC maintenance assistance	70,000	70,000	101,287	31,287
Cooperative reimbursement				
Friend of the court	559,760	559,760	527,423	(32,337)
Prosecuting attorney	47,161	47,161	38,839	(8,322)
Probate court judge	133,919	133,919	148,717	14,798
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	45,724	45,724	45,724	-0-
State court fees	275,778	310,000	310,904	904
Jury fees	3,000	3,000	3,330	330
District court case flow assistance	9,000	9,000	16,660	7,660
Voter aid registration	1,000	1,000	3,115	2,115
Sheriff secondary road patrol	95,994	85,300	94,053	8,753
Sheriff equipment grant	-	-	23,975	23,975
SAP grant	27,859	27,859	35,063	7,204
Cigarette tax	35,484	35,484	35,478	(6)
Marine safety	35,000	35,000	32,031	(2,969)
Convention and tourism tax	128,261	128,261	129,359	1,098
Revenue sharing - per capita	957,376	-	-	-0-
Liquor law enforcement	5,500	5,500	5,729	229
Other	700	700	2,819	2,119
Total intergovernmental - Federal/State	2,719,011	1,785,163	1,761,112	(24,051)

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit Court	\$ 242,700	\$ 204,700	\$ 210,257	\$ 5,557
District Court	551,000	526,000	526,107	107
Friend of the Court	30,000	30,000	44,466	14,466
Probate Court	26,800	26,800	35,733	8,933
County Treasurer	390	1,390	3,597	2,207
County Clerk	69,190	69,190	68,836	(354)
Register of Deeds	300,475	300,475	295,863	(4,612)
Real estate transfer tax	200,000	255,000	260,818	5,818
Mapping department	7,500	7,500	15,998	8,498
Juvenile Court	20,000	20,000	17,815	(2,185)
Sheriff Department	77,240	63,240	71,808	8,568
Record copying	102,250	84,000	85,282	1,282
Pay phone commissions	20,000	20,000	17,406	(2,594)
Abstract department	90,000	90,000	-	(90,000)
Other sales	15,750	15,750	18,565	2,815
Other	10,000	9,000	7,800	(1,200)
Total charges for services	1,763,295	1,723,045	1,680,351	(42,694)
Fines and forfeits				
Bond forfeitures	9,000	9,000	9,990	990
Ordinance fines and costs	13,000	13,000	15,845	2,845
Total fines and forfeits	22,000	22,000	25,835	3,835
Interest and rents				
Interest on investments	100,000	154,000	200,542	46,542
Rents	54,760	54,760	68,332	13,572
Total interest and rents	154,760	208,760	268,874	60,114
Other				
Reimbursements and refunds	45,027	72,427	94,546	22,119
Other	-	-	1,733	1,733
Total other	45,027	72,427	96,279	23,852
TOTAL REVENUES	13,048,662	12,083,962	15,092,965	3,009,003

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
Transfers in				
Delinquent tax revolving	\$ 140,000	\$ 140,000	\$ -	\$ (140,000)
Friend of the court construction	-	-	24	24
Dental and optical	-	-	425	425
Jail expansion	-	-	6,116	6,116
Technology (BIP) grant	-	-	155	155
Township police services	-	-	3,471	3,471
Revenue sharing reserve	-	978,000	978,093	93
TOTAL OTHER FINANCING SOURCES	<u>140,000</u>	<u>1,118,000</u>	<u>988,284</u>	<u>(129,716)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$13,188,662</u>	<u>\$13,201,962</u>	<u>\$16,081,249</u>	<u>\$ 2,879,287</u>

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 232,834	\$ 232,834	\$ 201,977	\$ 30,857
Trial Court	1,415,483	1,415,483	1,294,208	121,275
Jury board	3,575	3,575	2,669	906
Probate Court	695,464	695,464	645,481	49,983
Adult probation	12,530	12,530	12,057	473
County Administrator	248,499	248,499	234,561	13,938
Elections	12,177	36,407	21,573	14,834
Legal counsel	50,000	50,000	31,721	18,279
Clerk	440,071	440,071	428,394	11,677
Equalization	199,137	199,137	195,831	3,306
Prosecuting Attorney	701,051	701,051	603,732	97,319
Register of Deeds	185,011	185,011	176,679	8,332
Land information services	208,627	208,627	195,881	12,746
Treasurer	235,966	235,966	233,567	2,399
Cooperative extension	144,013	144,013	128,592	15,421
Courthouse and grounds	443,721	443,721	417,987	25,734
Drain commissioner	124,654	124,654	123,545	1,109
Other	197,428	204,951	184,906	20,045
Total general government	5,550,241	5,581,994	5,133,361	448,633
Public safety				
Sheriff	1,992,559	2,030,073	2,098,407	(68,334)
Secondary Road Patrol	101,186	101,186	93,952	7,234
Marine safety	92,595	92,595	103,212	(10,617)
Emergency services	279,746	279,746	156,858	122,888
Jail	1,317,960	1,317,960	1,259,337	58,623
Animal control	190,608	190,608	203,813	(13,205)
Total public safety	3,974,654	4,012,168	3,915,579	96,589
Public works				
Department of public works	39,934	39,934	81,865	(41,931)

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
District Health department	\$ 410,229	\$ 410,229	\$ 409,511	\$ 718
Health department building	113,793	113,793	95,865	17,928
Soldiers and sailors relief	3,500	3,500	3,162	338
Medical examiner	70,050	73,050	73,109	(59)
Veterans counselor	16,340	16,340	15,785	555
Veterans burials	38,000	38,000	36,244	1,756
Mental health	154,500	154,500	154,500	-0-
Total health and welfare	806,412	809,412	788,176	21,236
Community and economic development				
Planning department	306,346	309,546	313,471	(3,925)
Recreation and cultural	5,000	5,000	-	5,000
Other				
Insurance and bonds	295,910	295,910	295,222	688
Contingency	74,417	-	-	-0-
Total other	370,327	295,910	295,222	688
Capital outlay	54,100	66,350	141,987	(75,637)
TOTAL EXPENDITURES	11,107,014	11,120,314	10,669,661	450,653
OTHER FINANCING USES				
Transfers out				
Adult Drug Court	26,667	26,667	26,667	-0-
Veteran's trust	-	-	2,115	(2,115)
Building authority courts and law	232,938	232,938	232,938	-0-
Building rehabilitation	17,500	17,500	336,369	(318,869)
Friend of the Court	828,300	828,300	828,300	-0-
Law Library	500	500	500	-0-
Vehicle	116,000	116,000	222,290	(106,290)
Remonumentation	8,372	8,372	13,717	(5,345)
Master land use plan	-	-	8,400	(8,400)
Victim services unit	-	-	165	(165)
Data Processing	150,212	150,212	256,502	(106,290)
Friend of the Court Renovation	74,013	74,013	74,013	-0-
Solid Waste	1,250	1,250	1,250	-0-
Child Care Probate	513,195	513,195	513,195	-0-
Child Care Welfare	2,500	2,500	2,500	-0-

Barry County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES - CONTINUED				
Transfers out - continued				
Social Welfare	\$ 8,500	\$ 8,500	\$ 8,500	\$ -0-
Commission on Aging	15,000	15,000	15,000	-0-
Revenue Sharing Reserve	-	-	2,788,855	(2,788,855)
Park	8,000	8,000	8,000	-0-
McKeown Bridge Park	500	500	500	-0-
School liaison	-	-	7,122	(7,122)
Substance abuse	78,201	78,201	64,690	13,511
TOTAL OTHER FINANCING USES	<u>2,081,648</u>	<u>2,081,648</u>	<u>5,411,588</u>	<u>(3,329,940)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 13,188,662</u>	<u>\$ 13,201,962</u>	<u>\$ 16,081,249</u>	<u>\$ (2,879,287)</u>

Barry County, Michigan

Central Dispatch Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,394,707	\$ 1,394,707	\$ 1,407,812	\$ 13,105
Intergovernmental - Federal/State	122,500	122,500	139,019	16,519
Interest	2,500	2,500	34,809	32,309
Other	-	-	250	250
TOTAL REVENUES	1,519,707	1,519,707	1,581,890	62,183
EXPENDITURES				
Current				
Public safety	1,294,500	1,294,500	1,136,242	158,258
Capital outlay	463,000	463,000	403,127	59,873
TOTAL EXPENDITURES	1,757,500	1,757,500	1,539,369	218,131
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(237,793)	(237,793)	42,521	280,314
Fund balance, beginning of year	1,242,459	1,242,459	1,242,459	-0-
Fund balance, end of year	<u>\$ 1,004,666</u>	<u>\$ 1,004,666</u>	<u>\$ 1,284,980</u>	<u>\$ 280,314</u>

Barry County, Michigan

Revenue Sharing Reserve

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	\$ -	\$ 48,500	\$ 53,096	\$ 4,596
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	48,500	53,096	4,596
OTHER FINANCING SOURCES (USES)				
Transfers in	2,788,855	4,528,000	2,788,855	(1,739,145)
Transfers out	(986,097)	(978,093)	(978,093)	-0-
TOTAL OTHER FINANCING SOURCES	1,802,758	3,549,907	1,810,762	(1,739,145)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	1,802,758	3,598,407	1,863,858	(1,734,549)
Fund balance, beginning of year	2,170,605	2,170,605	2,170,605	-0-
Fund balance, end of year	<u>\$ 3,973,363</u>	<u>\$ 5,769,012</u>	<u>\$ 4,034,463</u>	<u>\$ (1,734,549)</u>

Barry County, Michigan

Commission on Aging

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 756,333	\$ 756,333	\$ 343,867	\$ (412,466)
Intergovernmental - Federal/State	305,997	305,997	370,019	64,022
Charges for services	100,185	100,185	121,086	
Interest	255	255	-	(255)
Other	25,735	25,735	28,291	2,556
TOTAL REVENUES	1,188,505	1,188,505	863,263	(346,143)
EXPENDITURES				
Current				
Health and welfare	1,023,522	1,023,522	967,415	56,107
Capital outlay	12,800	12,800	15,596	(2,796)
TOTAL EXPENDITURES	1,036,322	1,036,322	983,011	53,311
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	152,183	152,183	(119,748)	(292,832)
OTHER FINANCING SOURCES				
Transfers in	15,000	15,000	15,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	167,183	167,183	(104,748)	(292,832)
Fund balance, beginning of year	105,250	105,250	105,250	-0-
Fund balance, end of year	\$ 272,433	\$ 272,433	\$ 502	\$ (292,832)

OTHER SUPPLEMENTARY INFORMATION

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2005

	Special		
	Parks and Recreation	Friend of the Court	Local Corrections Officer Training
ASSETS			
Cash and cash equivalents	\$ 77,665	\$ 105,809	\$ 4,707
Investments	-	-	-
Receivables			
Accounts	-	-	-
Taxes	365,478	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 443,143</u>	<u>\$ 105,809</u>	<u>\$ 4,707</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 7,915	\$ -
Accrued liabilities	-	10,591	-
Due to other funds	1,800	6,514	-
Deferred revenue	365,478	-	-
TOTAL LIABILITIES	367,278	25,020	-0-
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for special projects	-	-	-
Undesignated, reported in			
Special revenue funds	75,865	80,789	4,707
TOTAL FUND BALANCES	<u>75,865</u>	<u>80,789</u>	<u>4,707</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 443,143</u>	<u>\$ 105,809</u>	<u>\$ 4,707</u>

Revenue					
Solid Waste	Animal Shelter Donation	Community Resource Network	Abstract	Remonumentation	Museum Building
\$ 134,115	\$ 129,346	\$ 6,253	\$ 384,716	\$ (51,894)	\$ 68,038
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,345	-
-	-	-	-	46,549	-
-	-	-	-	-	-
<u>\$ 134,115</u>	<u>\$ 129,346</u>	<u>\$ 6,253</u>	<u>\$ 384,716</u>	<u>\$ -0-</u>	<u>\$ 68,038</u>
\$ 1,233	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,233	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,558
132,882	129,346	6,253	384,716	-	58,480
132,882	129,346	6,253	384,716	-0-	68,038
<u>\$ 134,115</u>	<u>\$ 129,346</u>	<u>\$ 6,253</u>	<u>\$ 384,716</u>	<u>\$ -0-</u>	<u>\$ 68,038</u>

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special		
	Commission on Aging Building	Building Rehabilitation	McKeown Bridge Park
ASSETS			
Cash and cash equivalents	\$ 449	\$ 574,160	\$ 5,165
Investments	10,429	-	-
Receivables			
Accounts	-	-	-
Taxes	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 10,878</u>	<u>\$ 574,160</u>	<u>\$ 5,165</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 32
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	32
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for special projects	-	-	-
Undesignated, reported in			
Special revenue funds	10,878	574,160	5,133
TOTAL FUND BALANCES	<u>10,878</u>	<u>574,160</u>	<u>5,133</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,878</u>	<u>\$ 574,160</u>	<u>\$ 5,165</u>

Revenue					
New Building	Register of Deeds Automation	Budget Stabilization	Victim Services Unit	D.A.R.E. Program	School Liaison
\$ 26,597	\$ 162,245	\$ -	\$ 22,864	\$ 1,580	\$ 1,713
-	-	121,841	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	431	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 26,597</u>	<u>\$ 162,245</u>	<u>\$ 122,272</u>	<u>\$ 22,864</u>	<u>\$ 1,580</u>	<u>\$ 1,713</u>
\$ -	\$ -	\$ -	\$ 288	\$ -	\$ -
-	-	-	-	-	1,009
-	-	-	-	-	637
-	-	-	-	-	-
-0-	-0-	-0-	288	-0-	1,646
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,597	162,245	122,272	22,576	1,580	67
26,597	162,245	122,272	22,576	1,580	67
<u>\$ 26,597</u>	<u>\$ 162,245</u>	<u>\$ 122,272</u>	<u>\$ 22,864</u>	<u>\$ 1,580</u>	<u>\$ 1,713</u>

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special		
	Technology (BIP) Grant	Drug Law Enforcement	Special Investigation
ASSETS			
Cash and cash equivalents	\$ -	\$ 9,972	\$ 32,157
Investments	-	-	-
Receivables			
Accounts	-	-	-
Taxes	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 9,972</u>	<u>\$ 32,157</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for special projects	-	-	-
Undesignated, reported in			
Special revenue funds	-	9,972	32,157
TOTAL FUND BALANCES	<u>-0-</u>	<u>9,972</u>	<u>32,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 9,972</u>	<u>\$ 32,157</u>

Revenue					
Crime Victims Rights Week	Law Library	CDBG Housing	Middleville Police Services	Township Police Services	MSHDA HOME Program
\$ 68,543	\$ 37,130	\$ 17,021	\$ 14,298	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,222	-	-	-	-	-
-	-	-	16,699	-	-
<u>\$ 78,765</u>	<u>\$ 37,130</u>	<u>\$ 17,021</u>	<u>\$ 30,997</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3,906	-	-
42,326	-	-	1,356	-	-
-	-	-	-	-	-
42,326	-0-	-0-	5,262	-0-	-0-
-	-	17,021	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36,439	37,130	-	25,735	-	-
36,439	37,130	17,021	25,735	-0-	-0-
<u>\$ 78,765</u>	<u>\$ 37,130</u>	<u>\$ 17,021</u>	<u>\$ 30,997</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special		
	Community Corrections	Adult Drug Court	Juvenile Drug Court
ASSETS			
Cash and cash equivalents	\$ (26,107)	\$ (59,765)	\$ (59,436)
Investments	-	-	-
Receivables			
Accounts	-	-	-
Taxes	-	-	-
Interest	-	-	-
Due from other funds	-	-	4,153
Due from other governmental units			
State	39,946	98,343	57,069
Local	-	-	-
TOTAL ASSETS	<u>\$ 13,839</u>	<u>\$ 38,578</u>	<u>\$ 1,786</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	1,428	1,948	1,059
Due to other funds	-	66	655
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,428	2,014	1,714
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for special projects	-	-	-
Undesignated, reported in			
Special revenue funds	12,411	36,564	72
TOTAL FUND BALANCES	<u>12,411</u>	<u>36,564</u>	<u>72</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,839</u>	<u>\$ 38,578</u>	<u>\$ 1,786</u>

Revenue					
Michigan Justice Training	Social Welfare	Child Care Probate	Child Care Welfare	Veteran's Trust	Diverted Felons
\$ 13,798	\$ 122,400	\$ 841,343	\$ 9,359	\$ (2,696)	\$ 110,202
-	48,283	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,115	-
-	-	104,286	-	1,075	-
-	-	-	-	-	-
<u>\$ 13,798</u>	<u>\$ 170,683</u>	<u>\$ 945,629</u>	<u>\$ 9,359</u>	<u>\$ 494</u>	<u>\$ 110,202</u>
\$ -	\$ -	\$ -	\$ -	\$ 494	\$ -
-	-	3,628	-	-	-
-	-	6,256	-	-	-
-	-	-	-	-	-
-0-	-0-	9,884	-0-	494	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>13,798</u>	<u>170,683</u>	<u>935,745</u>	<u>9,359</u>	<u>-</u>	<u>110,202</u>
<u>13,798</u>	<u>170,683</u>	<u>935,745</u>	<u>9,359</u>	<u>-0-</u>	<u>110,202</u>
<u>\$ 13,798</u>	<u>\$ 170,683</u>	<u>\$ 945,629</u>	<u>\$ 9,359</u>	<u>\$ 494</u>	<u>\$ 110,202</u>

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special Revenue		
	Master Land Use Plan	County Agriculture Preservation	Substance Abuse
ASSETS			
Cash and cash equivalents	\$ 4,465	\$ 3,717	\$ 56,874
Investments	-	-	-
Receivables			
Accounts	-	-	14,842
Taxes	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	25,247
Local	-	-	-
TOTAL ASSETS	<u>\$ 4,465</u>	<u>\$ 3,717</u>	<u>\$ 96,963</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 52	\$ 2,562
Accrued liabilities	-	-	16,827
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	52	19,389
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for special projects	-	-	-
Undesignated, reported in			
Special revenue funds	<u>4,465</u>	<u>3,665</u>	<u>77,574</u>
TOTAL FUND BALANCES	<u>4,465</u>	<u>3,665</u>	<u>77,574</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,465</u>	<u>\$ 3,717</u>	<u>\$ 96,963</u>

Debt Service					
Jail Expansion	Friend of the Court Renovation	Building Authority Thornapple Manor Addition	Building Authority KCC	Building Authority Courts and Law	City Hall
\$ -	\$ 9,976	\$ -	\$ -	\$ 95,296	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 9,976</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 95,296</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,976	-	-	95,296	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	9,976	-0-	-0-	95,296	-0-
<u>\$ -0-</u>	<u>\$ 9,976</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 95,296</u>	<u>\$ -0-</u>

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Friend of the Court	Cemetery Perpetual Care	
ASSETS			
Cash and cash equivalents	\$ -	\$ 100	\$ 2,952,175
Investments	-	26,700	207,253
Receivables			
Accounts	-	-	14,842
Taxes	-	-	365,478
Interest	-	279	710
Due from other funds	-	-	11,613
Due from other governmental units			
State	-	-	382,737
Local	-	-	16,699
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 27,079</u>	<u>\$ 3,951,507</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 12,576
Accrued liabilities	-	-	40,396
Due to other funds	-	-	59,610
Deferred revenue	-	-	365,478
TOTAL LIABILITIES	-0-	-0-	478,060
FUND BALANCES			
Reserved for			
Grant expenditures	-	-	17,021
Perpetual care	-	27,079	27,079
Debt service	-	-	105,272
Unreserved			
Designated for special projects	-	-	9,558
Undesignated, reported in Special revenue funds	-	-	3,314,517
TOTAL FUND BALANCES	<u>-0-</u>	<u>27,079</u>	<u>3,473,447</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 27,079</u>	<u>\$ 3,951,507</u>

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Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special		
	Parks and Recreation	Friend of the Court	Local Corrections Officer Training
REVENUES			
Taxes	\$ 343,867	\$ -	\$ -
Intergovernmental - Federal/State	-	-	-
Intergovernmental - local	-	-	-
Charges for services	110,956	25,050	4,707
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	12,534	-	-
TOTAL REVENUES	467,357	25,050	4,707
EXPENDITURES			
Current			
General government	-	811,323	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	468,604	-	-
Capital outlay	240,748	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	709,352	811,323	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(241,995)	(786,273)	4,707
OTHER FINANCING SOURCES (USES)			
Transfers in	147,214	828,300	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	147,214	828,300	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(94,781)	42,027	4,707
Fund balances, beginning of year	170,646	38,762	-
Fund balances, end of year	\$ 75,865	\$ 80,789	\$ 4,707

Revenue					
Solid Waste	Animal Shelter Donation	Community Resource Network	Abstract	Remonumentation	Museum Building
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	77,582	10,025
-	-	1,700	-	-	60
19,587	-	-	93,634	-	-
-	-	-	-	-	-
-	1,538	-	-	1,800	1,430
23,072	820	-	-	-	4,588
42,659	2,358	1,700	93,634	79,382	16,103
-	-	-	-	73,576	-
-	-	-	-	-	-
49,405	-	-	-	-	-
-	-	2,244	-	-	-
-	-	-	-	-	2,164
-	-	-	-	36,309	-
-	-	-	-	-	-
49,405	-0-	2,244	-0-	109,885	2,164
(6,746)	2,358	(544)	93,634	(30,503)	13,939
1,250	-	-	-	16,947	-
-	-	-	-	-	(139,214)
1,250	-0-	-0-	-0-	16,947	(139,214)
(5,496)	2,358	(544)	93,634	(13,556)	(125,275)
138,378	126,988	6,797	291,082	13,556	193,313
\$ 132,882	\$ 129,346	\$ 6,253	\$ 384,716	\$ -0-	\$ 68,038

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Commission on Aging Building	Building Rehabilitation	McKeown Bridge Park Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	-	-	-
Intergovernmental - local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	204	-	-
Other	-	-	-
TOTAL REVENUES	204	-0-	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	13,312	-
Health and welfare	-	-	-
Recreation and cultural	-	-	374
Capital outlay	-	12,700	-
Debt service	-	-	-
TOTAL EXPENDITURES	-0-	26,012	374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	204	(26,012)	(374)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	336,369	500
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	336,369	500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	204	310,357	126
Fund balances, beginning of year	10,674	263,803	5,007
Fund balances, end of year	\$ 10,878	\$ 574,160	\$ 5,133

Revenue					
New Building	Register of Deeds Automation	Budget Stabilization	Victim Services Unit	D.A.R.E. Program	School Liaison
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	937	-	-
-	-	-	500	-	48,690
-	94,927	-	-	-	-
-	-	-	-	-	-
19,384	-	2,145	-	-	-
-	-	-	1,199	644	4,123
19,384	94,927	2,145	2,636	644	52,813
-	19,532	-	-	-	-
-	-	-	2,111	2,450	59,868
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,934	20,512	-	-	-	-
-	-	-	-	-	-
12,934	40,044	-0-	2,111	2,450	59,868
6,450	54,883	2,145	525	(1,806)	(7,055)
-	-	-	165	-	7,122
-	-	-	-	-	-
-0-	-0-	-0-	165	-0-	7,122
6,450	54,883	2,145	690	(1,806)	67
20,147	107,362	120,127	21,886	3,386	-
\$ 26,597	\$ 162,245	\$ 122,272	\$ 22,576	\$ 1,580	\$ 67

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Technology (BIP) Grant	Drug Law Enforcement	Special Investigation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	-	-	-
Intergovernmental - local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	3,299	13,971
Interest and rents	-	-	289
Other	-	-	590
TOTAL REVENUES	-0-	3,299	14,850
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	4,586	12,230
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	7,425	-
Debt service	-	-	-
TOTAL EXPENDITURES	-0-	12,011	12,230
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(8,712)	2,620
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	4,260
Transfers out	(155)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(155)	-0-	4,260
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(155)	(8,712)	6,880
Fund balances, beginning of year	155	18,684	25,277
Fund balances, end of year	\$ -0-	\$ 9,972	\$ 32,157

Revenue

Crime Victims Rights Week	Law Library	CDBG Housing	Middleville Police Services	Township Police Services	MSHDA HOME Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45,220	-	218,855	-	-	4,570
-	-	-	203,467	-	-
-	-	68,214	-	-	-
-	6,500	-	-	-	-
-	-	89	-	-	-
-	-	-	-	-	-
45,220	6,500	287,158	203,467	-0-	4,570
-	10,566	-	-	-	-
44,406	-	-	205,556	-	-
-	-	-	-	-	-
-	-	319,135	-	-	5,233
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44,406	10,566	319,135	205,556	-0-	5,233
814	(4,066)	(31,977)	(2,089)	-0-	(663)
-	500	-	-	-	-
-	-	-	-	(3,471)	-
-0-	500	-0-	-0-	(3,471)	-0-
814	(3,566)	(31,977)	(2,089)	(3,471)	(663)
35,625	40,696	48,998	27,824	3,471	663
\$ 36,439	\$ 37,130	\$ 17,021	\$ 25,735	\$ -0-	\$ -0-

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Community Corrections	Adult Drug Court	Juvenile Drug Court
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	107,382	157,487	114,063
Intergovernmental - local	-	-	-
Charges for services	-	23,383	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	107,382	180,870	114,063
EXPENDITURES			
Current			
General government	-	177,929	118,221
Public safety	120,912	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	120,912	177,929	118,221
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,530)	2,941	(4,158)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,760	28,773	4,153
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,760	28,773	4,153
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	12,230	31,714	(5)
Fund balances, beginning of year	181	4,850	77
Fund balances, end of year	\$ 12,411	\$ 36,564	\$ 72

Revenue					
Michigan Justice Training	Social Welfare	Child Care Probate	Child Care Welfare	Veteran's Trust	Diverted Felons
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,968	10,426	411,532	-	5,136	65,177
-	-	64,307	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,011	-	-	-	-
-	-	-	-	-	-
6,968	11,437	475,839	-0-	5,136	65,177
-	-	-	-	-	-
5,888	-	-	-	-	-
-	-	-	-	-	-
-	19,989	857,350	-	10,678	11,966
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,888	19,989	857,350	-0-	10,678	11,966
1,080	(8,552)	(381,511)	-0-	(5,542)	53,211
-	8,500	513,195	2,500	2,115	-
-	-	(4,153)	-	-	(27,866)
-0-	8,500	509,042	2,500	2,115	(27,866)
1,080	(52)	127,531	2,500	(3,427)	25,345
12,718	170,735	808,214	6,859	3,427	84,857
\$ 13,798	\$ 170,683	\$ 935,745	\$ 9,359	\$ -0-	\$ 110,202

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special Revenue		
	Master Land Use Plan	County Agriculture Preservation	Substance Abuse
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - Federal/State	-	-	297,686
Intergovernmental - local	-	-	84,725
Charges for services	-	-	201,313
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	4,156
TOTAL REVENUES	-0-	-0-	587,880
EXPENDITURES			
Current			
General government	45,760	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	593,493
Recreation and cultural	-	1,004	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	45,760	1,004	593,493
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,760)	(1,004)	(5,613)
OTHER FINANCING SOURCES (USES)			
Transfers in	8,400	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,400	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(37,360)	(1,004)	(5,613)
Fund balances, beginning of year	41,825	4,669	83,187
Fund balances, end of year	\$ 4,465	\$ 3,665	\$ 77,574

Debt Service					
Jail Expansion	Friend of the Court Renovation	Building Authority Thornapple Manor Addition	Building Authority KCC	Building Authority Courts and Law	City Hall
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	269,599	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	76	-	-	1,673	-
-	-	-	-	-	-
-0-	76	-0-	269,599	1,673	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	73,500	243,763	269,599	219,861	-
-0-	73,500	243,763	269,599	219,861	-0-
-0-	(73,424)	(243,763)	-0-	(218,188)	-0-
-	78,853	243,763	-	232,938	-
(6,116)	-	-	-	-	(4,840)
(6,116)	78,853	243,763	-0-	232,938	(4,840)
(6,116)	5,429	-0-	-0-	14,750	(4,840)
6,116	4,547	-	-	80,546	4,840
\$ -0-	\$ 9,976	\$ -0-	\$ -0-	\$ 95,296	\$ -0-

Barry County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Friend of the Court	Cemetery Perpetual Care	
REVENUES			
Taxes	\$ -	\$ -	\$ 343,867
Intergovernmental - Federal/State	-	-	1,533,046
Intergovernmental - local	-	-	673,048
Charges for services	-	-	641,771
Fines and forfeits	-	-	23,770
Interest and rents	-	294	29,933
Other	-	-	51,726
TOTAL REVENUES	-0-	294	3,297,161
EXPENDITURES			
Current			
General government	-	-	1,256,907
Public safety	-	-	458,007
Public works	-	-	62,717
Health and welfare	-	-	1,820,088
Recreation and cultural	-	-	472,146
Capital outlay	-	-	330,628
Debt service	-	-	806,723
TOTAL EXPENDITURES	-0-	-0-	5,207,216
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	294	(1,910,055)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	2,491,577
Transfers out	(24)	-	(185,839)
TOTAL OTHER FINANCING SOURCES (USES)	(24)	-0-	2,305,738
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(24)	294	395,683
Fund balances, beginning of year	24	26,785	3,077,764
Fund balances, end of year	\$ -0-	\$ 27,079	\$ 3,473,447

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Barry County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Delinquent Tax Revolving		
	2002	2003	2005
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 224,246	\$ 39,288
Investments	-	25,394	-
Accounts receivable	-	-	-
Delinquent taxes receivable	-	161,550	-
Due from other governmental units	-	-	-
Total current assets	-0-	411,190	39,288
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	-0-	411,190	39,288
LIABILITIES			
Current liabilities			
Accounts payable	-	150	37,160
Accrued liabilities	-	-	-
TOTAL LIABILITIES	-0-	150	37,160
NET ASSETS			
Invested in capital assets	-	-	-
Unrestricted	-	411,040	2,128
TOTAL NET ASSETS	\$ -0-	\$ 411,040	\$ 2,128

<u>Jail Commissary</u>	<u>Transit</u>	<u>Total</u>
\$ 17,627	\$ 96,626	\$ 377,787
-	-	25,394
-	11,013	11,013
-	-	161,550
-	44,166	44,166
17,627	151,805	619,910
-	776,645	776,645
17,627	928,450	1,396,555
218	18,118	55,646
-	20,886	20,886
218	39,004	76,532
-	776,645	776,645
17,409	112,801	543,378
<u>\$ 17,409</u>	<u>\$ 889,446</u>	<u>\$ 1,320,023</u>

Barry County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Delinquent Tax Revolving		
	2002	2003	2005
OPERATING REVENUES			
Interest and penalties on taxes	\$ 49,545	\$ 168,089	\$ 614
Charges for services	7,139	48,394	1,448
TOTAL OPERATING REVENUES	56,684	216,483	2,062
OPERATING EXPENSES			
Operating expenses	-	-	-
Interest expense	-	9,434	-
Other	-	5,027	-
TOTAL OPERATING EXPENSES	-0-	14,461	-0-
OPERATING INCOME (LOSS)	56,684	202,022	2,062
NONOPERATING REVENUES			
Intergovernmental	-	-	-
Interest revenue	967	952	66
TOTAL NONOPERATING REVENUES	967	952	66
INCOME (LOSS) BEFORE TRANSFERS	57,651	202,974	2,128
TRANSFERS (OUT)	(436,897)	-	-
CHANGE IN NET ASSETS	(379,246)	202,974	2,128
Net assets, beginning of year	379,246	208,066	-
Net assets, end of year	\$ -0-	\$ 411,040	\$ 2,128

Jail Commissary	Transit	Total
\$ -	\$ -	\$ 218,248
72,788	147,963	277,732
72,788	147,963	495,980
68,314	704,787	773,101
-	-	9,434
-	-	5,027
68,314	704,787	787,562
4,474	(556,824)	(291,582)
-	321,635	321,635
-	2,648	4,633
-0-	324,283	326,268
4,474	(232,541)	34,686
-	-	(436,897)
4,474	(232,541)	(402,211)
12,935	1,121,987	1,722,234
\$ 17,409	\$ 889,446	\$ 1,320,023

Barry County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Delinquent Tax Revolving		
	2002	2003	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 218,624	\$ 1,093,661	\$ 39,222
Cash paid to employees	-	-	-
Cash paid to suppliers	-	(14,311)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	218,624	1,079,350	39,222
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental sources	-	-	-
Transfers out	(436,897)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(436,897)	-0-	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment of borrowings	-	(1,011,000)	-
State and Federal capital assistance	-	-	-
Capital purchases	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(1,011,000)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(25,394)	-
Interest received	967	952	66
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	967	(24,442)	66
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(217,306)	43,908	39,288
Cash and cash equivalents, beginning of year	217,306	180,338	-
Cash and cash equivalents, end of year	\$ -0-	\$ 224,246	\$ 39,288
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 56,684	\$ 202,022	\$ 2,062
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	-	-
(Increase) decrease in receivables	161,940	877,178	-
Increase (decrease) in accounts payable	-	150	37,160
Increase in accrued liabilities	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 218,624	\$ 1,079,350	\$ 39,222

Jail Commissary	Transit	Total
\$ 72,788	\$ 145,905	\$ 1,570,200
-	(294,639)	(294,639)
<u>(68,776)</u>	<u>(246,599)</u>	<u>(329,686)</u>
4,012	(395,333)	945,875
-	292,761	292,761
-	-	<u>(436,897)</u>
-0-	292,761	(144,136)
-	-	(1,011,000)
-	33,704	33,704
-	<u>(16,929)</u>	<u>(16,929)</u>
-0-	16,775	(994,225)
-	-	(25,394)
-	<u>2,648</u>	<u>4,633</u>
-0-	<u>2,648</u>	<u>(20,761)</u>
4,012	(83,149)	(213,247)
<u>13,615</u>	<u>179,775</u>	<u>591,034</u>
<u>\$ 17,627</u>	<u>\$ 96,626</u>	<u>\$ 377,787</u>
\$ 4,474	\$ (556,824)	\$ (291,582)
-	147,153	147,153
-	(2,058)	1,037,060
(462)	9,970	46,818
-	<u>6,426</u>	<u>6,426</u>
<u>\$ 4,012</u>	<u>\$ (395,333)</u>	<u>\$ 945,875</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Data Processing	Telephone	Vehicle
ASSETS			
Current assets			
Cash and cash equivalents	\$ 320,433	\$ 38,411	\$ 321,046
Prepays	-	-	-
Due from other funds	-	3,601	-
Total current assets	320,433	42,012	321,046
Noncurrent assets			
Investments	-	-	-
Capital assets, net of accumulated depreciation	31,706	-	295,425
Total noncurrent assets	31,706	-0-	295,425
TOTAL ASSETS	352,139	42,012	616,471
LIABILITIES			
Current liabilities			
Accounts payable	21,084	2,509	1,117
Due to other funds	-	-	-
TOTAL LIABILITIES	21,084	2,509	1,117
NET ASSETS			
Invested in capital assets	31,706	-	295,425
Restricted for employee benefits	-	-	-
Unrestricted	299,349	39,503	319,929
TOTAL NET ASSETS	\$ 331,055	\$ 39,503	\$ 615,354

<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Disability</u>	<u>Fringe</u> <u>Benefits</u>
\$ 322,172	\$ 147,252	\$ 13,182	\$ 1,061,812
-	-	-	1,102
-	-	-	2,811
322,172	147,252	13,182	1,065,725
-	-	-	855,643
-	-	-	-
-0-	-0-	-0-	855,643
322,172	147,252	13,182	1,921,368
2,211	-	-	-
-	-	-	4,500
2,211	-0-	-0-	4,500
-	-	-	-
319,961	147,252	-	1,916,868
-	-	13,182	-
<u>\$ 319,961</u>	<u>\$ 147,252</u>	<u>\$ 13,182</u>	<u>\$ 1,916,868</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS - CONTINUED

December 31, 2005

	Life Insurance	Retirement	Dental and Optical
ASSETS			
Current assets			
Cash and cash equivalents	\$ 202	\$ 330,212	\$ (40,124)
Prepays	-	-	-
Due from other funds	-	-	73,604
Total current assets	202	330,212	33,480
Noncurrent assets			
Investments	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
Total noncurrent assets	-0-	-0-	-0-
TOTAL ASSETS	202	330,212	33,480
LIABILITIES			
Current liabilities			
Accounts payable	-	-	-
Due to other funds	-	-	5,800
TOTAL LIABILITIES	-0-	-0-	5,800
NET ASSETS			
Invested in capital assets	-	-	-
Restricted for employee benefits	-	330,212	27,680
Unrestricted	202	-	-
TOTAL NET ASSETS	\$ 202	\$ 330,212	\$ 27,680

<u>Unemployment</u>	<u>Total</u>
\$ 7,099	\$ 2,521,697
-	1,102
-	80,016
7,099	2,602,815
-	855,643
-	327,131
-0-	1,182,774
7,099	3,785,589
-	26,921
-	10,300
-0-	37,221
-	327,131
7,099	2,749,072
-	672,165
<u>\$ 7,099</u>	<u>\$ 3,748,368</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

Year Ended December 31, 2005

	Data Processing	Telephone	Vehicle
OPERATING REVENUES			
Charges for services	\$ -	\$ 50,729	\$ -
Other	13,115	-	24,830
TOTAL OPERATING REVENUES	13,115	50,729	24,830
OPERATING EXPENSES			
Fringe benefits	-	-	-
Contracted services	32,584	30,741	16,878
Depreciation	63,208	-	83,358
Interest expense	1,154	-	-
Operating supplies	60,180	722	9,055
Other	6,206	-	-
TOTAL OPERATING EXPENSES	163,332	31,463	109,291
OPERATING INCOME (LOSS)	(150,217)	19,266	(84,461)
NONOPERATING REVENUES			
Interest revenue	-	-	-
INCOME (LOSS) BEFORE TRANSFERS	(150,217)	19,266	(84,461)
OTHER FINANCING SOURCES (USES)			
Transfers in	256,502	-	222,290
Transfers out	-	-	(4,260)
TOTAL FINANCING SOURCES (USES)	256,502	-0-	218,030
NET INCOME (LOSS)	106,285	19,266	133,569
Net assets, beginning of year	224,770	20,237	481,785
Net assets, end of year	\$ 331,055	\$ 39,503	\$ 615,354

<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Disability</u>	<u>Fringe</u> <u>Benefits</u>
\$ 108,039	\$ 1,682,653	\$ -	\$ 66,281
1,214	-	-	4,939
109,253	1,682,653	-0-	71,220
177,992	1,671,091	26,818	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
177,992	1,671,091	26,818	-0-
(68,739)	11,562	(26,818)	71,220
-	-	-	34,366
(68,739)	11,562	(26,818)	105,586
-	-	40,000	-
-	(3,230)	-	(40,000)
-0-	(3,230)	40,000	(40,000)
(68,739)	8,332	13,182	65,586
388,700	138,920	-	1,851,282
<u>\$ 319,961</u>	<u>\$ 147,252</u>	<u>\$ 13,182</u>	<u>\$ 1,916,868</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - CONTINUED

Year Ended December 31, 2005

	Life Insurance	Retirement	Dental and Optical
OPERATING REVENUES			
Charges for services	\$ 19,131	\$ 1,027,529	\$ -
Other	-	-	-
TOTAL OPERATING REVENUES	19,131	1,027,529	-0-
OPERATING EXPENSES			
Fringe benefits	18,929	1,048,699	2,545
Contracted services	-	-	-
Depreciation	-	-	-
Interest expense	-	-	-
Operating supplies	-	-	-
Other	-	-	-
TOTAL OPERATING EXPENSES	18,929	1,048,699	2,545
OPERATING INCOME (LOSS)	202	(21,170)	(2,545)
NONOPERATING REVENUES			
Interest revenue	-	-	-
INCOME (LOSS) BEFORE TRANSFERS	202	(21,170)	(2,545)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(425)
TOTAL FINANCING SOURCES (USES)	-0-	-0-	(425)
NET INCOME (LOSS)	202	(21,170)	(2,970)
Net assets, beginning of year	-	351,382	30,650
Net assets, end of year	\$ 202	\$ 330,212	\$ 27,680

<u>Unemployment</u>	<u>Total</u>
\$ 15,529	\$ 2,969,891
-	44,098
15,529	3,013,989
13,698	2,959,772
-	80,203
-	146,566
-	1,154
-	69,957
-	6,206
13,698	3,263,858
1,831	(249,869)
-	34,366
1,831	(215,503)
-	518,792
-	(47,915)
-0-	470,877
1,831	255,374
5,268	3,492,994
<u>\$ 7,099</u>	<u>\$ 3,748,368</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Data Processing	Telephone	Vehicle
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 13,115	\$ 50,729	\$ 24,830
Cash paid to suppliers	(82,155)	(31,921)	(26,469)
Cash paid for employee benefits	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(69,040)	18,808	(1,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	256,502	-	222,290
Transfers out	-	-	(4,260)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	256,502	-0-	218,030
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments of borrowing	(52,645)	-	-
Other capital asset transactions	-	-	18,055
Purchase of capital assets	(19,585)	-	(162,694)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(72,230)	-0-	(144,639)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	-	-
Maturity of investments	-	-	-
Purchase of investments	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-0-	-0-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	115,232	18,808	71,752
Cash and cash equivalents, beginning of year	205,201	19,603	249,294
Cash and cash equivalents, end of year	<u>\$ 320,433</u>	<u>\$ 38,411</u>	<u>\$ 321,046</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (150,217)	\$ 19,266	\$ (84,461)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	63,208	-	83,358
Increase (decrease) in accounts payable	17,969	(458)	(536)
(Increase) decrease in due from other funds	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (69,040)</u>	<u>\$ 18,808</u>	<u>\$ (1,639)</u>

Workers' Compensation	Health Insurance	Disability	Fringe Benefits
\$ 109,253	\$ 1,682,653	\$ -	\$ 71,220
-	-	-	(526)
(176,419)	(1,671,091)	(26,818)	-
(67,166)	11,562	(26,818)	70,694
-	-	40,000	-
-	(3,230)	-	(40,000)
-0-	(3,230)	40,000	(40,000)
-	-	-	-
-	-	-	-
-	-	-	-
-0-	-0-	-0-	-0-
-	-	-	34,366
-	-	-	1,005,638
-	-	-	(855,643)
-0-	-0-	-0-	184,361
(67,166)	8,332	13,182	215,055
389,338	138,920	-	846,757
<u>\$ 322,172</u>	<u>\$ 147,252</u>	<u>\$ 13,182</u>	<u>\$ 1,061,812</u>
\$ (68,739)	\$ 11,562	\$ (26,818)	\$ 71,220
-	-	-	-
1,573	-	-	(526)
-	-	-	-
<u>\$ (67,166)</u>	<u>\$ 11,562</u>	<u>\$ (26,818)</u>	<u>\$ 70,694</u>

Barry County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Life Insurance	Retirement	Dental and Optical
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 19,131	\$ 1,027,529	\$ -
Cash paid to suppliers	-	-	-
Cash paid for employee benefits	(18,929)	(1,048,699)	(2,120)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	202	(21,170)	(2,120)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	-	(425)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-0-	(425)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments of borrowing	-	-	-
Other capital asset transactions	-	-	-
Purchase of capital assets	-	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	-0-	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	-	-
Maturity of investments	-	-	-
Purchase of investments	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-0-	-0-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	202	(21,170)	(2,545)
Cash and cash equivalents, beginning of year	-	351,382	(37,579)
Cash and cash equivalents, end of year	<u>\$ 202</u>	<u>\$ 330,212</u>	<u>\$ (40,124)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 202	\$ (21,170)	\$ (2,545)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	-	-
Increase (decrease) in accounts payable	-	-	-
(Increase) decrease in due from other funds	-	-	425
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 202</u>	<u>\$ (21,170)</u>	<u>\$ (2,120)</u>

<u>Unemployment</u>	<u>Total</u>
\$ 15,529	\$ 3,013,989
-	(141,071)
<u>(13,698)</u>	<u>(2,957,774)</u>

1,831 (84,856)

-	518,792
-	<u>(47,915)</u>

- 470,877

-	(52,645)
-	18,055
-	<u>(182,279)</u>

-0- (216,869)

-	34,366
-	1,005,638
-	<u>(855,643)</u>

-0- 184,361

1,831 353,513

<u>5,268</u>	<u>2,168,184</u>
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<u>\$ 7,099</u>	<u>\$ 2,521,697</u>
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\$ 1,831 \$ (249,869)

-	146,566
-	18,022
-	<u>425</u>

<u>\$ 1,831</u>	<u>\$ (84,856)</u>
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Barry County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

	Trust and Agency	Library	Inmate Trust	Total
ASSETS				
Cash and cash equivalents	\$ 1,553,058	\$ 57,862	\$ 8,420	\$ 1,619,340
Due from other governmental units	11	-	-	11
TOTAL ASSETS	\$ 1,553,069	\$ 57,862	\$ 8,420	\$ 1,619,351
LIABILITIES				
Accounts payable	\$ 195	\$ -	\$ -	\$ 195
Undistributed collections payable	1,109,108	57,862	-	1,166,970
Advances from primary government	-	-	1,000	1,000
Due to other governmental units				
Federal/State	213,378	-	-	213,378
Due to individuals and agencies	230,388	-	7,420	237,808
TOTAL LIABILITIES	\$ 1,553,069	\$ 57,862	\$ 8,420	\$ 1,619,351

Barry County, Michigan

Private Purpose Trust Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Cooperative Extension 4H	Norris Road Trees	Leadership Academy	Total
ASSETS				
Cash and cash equivalents	\$ 1,656	\$ 7,438	\$ 5,228	\$ 14,322
Accounts receivable	<u>6,874</u>	<u>-</u>	<u>-</u>	<u>6,874</u>
TOTAL ASSETS	<u>\$ 8,530</u>	<u>\$ 7,438</u>	<u>\$ 5,228</u>	<u>\$ 21,196</u>
NET ASSETS				
Held in trust for private purposes	<u>\$ 8,530</u>	<u>\$ 7,438</u>	<u>\$ 5,228</u>	<u>\$ 21,196</u>

Barry County, Michigan

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2005

	<u>Cooperative Extension 4H</u>	<u>Norris Road Trees</u>	<u>Leadership Academy</u>	<u>Total</u>
ADDITIONS				
Intergovernmental - local	\$ 33,302	\$ -	\$ 17,272	\$ 50,574
DEDUCTIONS				
General government	<u>30,845</u>	<u>-</u>	<u>24,768</u>	<u>55,613</u>
CHANGE IN NET ASSETS	2,457	-0-	(7,496)	(5,039)
Net assets, beginning of year	<u>6,073</u>	<u>7,438</u>	<u>12,724</u>	<u>26,235</u>
Net assets, end of year	<u>\$ 8,530</u>	<u>\$ 7,438</u>	<u>\$ 5,228</u>	<u>\$ 21,196</u>

Barry County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2005

	Debt Service	Capital	
	Algonquin Lake Dam Project	Regular Drain	Revolving Drain
ASSETS			
Cash and cash equivalents	\$ 3,517	\$ 181,598	\$ (64,991)
Special assessments receivable	56,324	19,250	-
Due from other funds	84,512	-	64,991
TOTAL ASSETS	<u>\$ 144,353</u>	<u>\$ 200,848</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred revenue	\$ 24,691	\$ 2,613	\$ -
Due to other funds	-	149,503	-
TOTAL LIABILITIES	24,691	152,116	-0-
FUND BALANCES			
Reserved for debt service	119,662	-	-
Unreserved, designated for capital expenditures	-	48,732	-
TOTAL FUND BALANCES	<u>119,662</u>	<u>48,732</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 144,353</u>	<u>\$ 200,848</u>	<u>\$ -0-</u>

<u>Projects</u>	
Revolving	
Drain	
Maintenance	<u>Total</u>
\$ 9,597	\$ 129,721
-	75,574
-	<u>149,503</u>
<u>\$ 9,597</u>	<u>\$ 354,798</u>

\$ -	\$ 27,304
-	<u>149,503</u>

-0- 176,807

-	119,662
<u>9,597</u>	<u>58,329</u>

<u>9,597</u>	<u>177,991</u>
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<u>\$ 9,597</u>	<u>\$ 354,798</u>
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Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2005

Total fund balance - governmental funds \$ 177,991

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	2,020,037	
Accumulated depreciation is	<u>(677,904)</u>	
Capital assets, net		1,342,133

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		27,304
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable	68,316	
Accrued interest payable	<u>594</u>	
		<u>(68,910)</u>

Net assets of governmental activities \$ 1,478,518

Barry County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

	Debt Service	Capital	
	Algonquin Lake Dam Project	Regular Drain	Revolving Drain
REVENUES			
Intergovernmental - local	\$ -	\$ -	\$ 44,085
Interest	56	3,330	-
Other			
Special assessments	31,846	39,850	-
TOTAL REVENUES	31,902	43,180	44,085
EXPENDITURES			
Current			
Public works	639	65,099	-
Debt service			
Principal	42,101	-	-
Interest and fiscal charges	5,779	-	-
Capital outlay	-	37,100	-
TOTAL EXPENDITURES	48,519	102,199	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,617)	(59,019)	44,085
OTHER FINANCING SOURCES (USES)			
Transfers in	-	106,205	-
Transfers out	(62,120)	-	(44,085)
TOTAL OTHER FINANCING SOURCES (USES)	(62,120)	106,205	(44,085)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(78,737)	47,186	-0-
Fund balances, beginning of year	198,399	1,546	-
Fund balances, end of year	\$ 119,662	\$ 48,732	\$ -0-

<u>Projects</u>	
Revolving	
Drain	
Maintenance	<u>Total</u>
\$ -	\$ 44,085
254	3,640
-	<u>71,696</u>
254	119,421
-	65,738
-	42,101
-	5,779
-	<u>37,100</u>
<u>-0-</u>	<u>150,718</u>
254	(31,297)
-	106,205
-	<u>(106,205)</u>
<u>-0-</u>	<u>-0-</u>
254	(31,297)
<u>9,343</u>	<u>209,288</u>
<u>\$ 9,597</u>	<u>\$ 177,991</u>

Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ (31,297)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	37,100	
Depreciation expense	<u>(35,369)</u>	1,731

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Deferred revenue	(39,247)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and note principal retirement	42,101
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>380</u>
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Change in net assets of governmental activities \$ (26,332)

Barry County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2005

	Debt		
	Duncan Lake Sewer	Gun Lake Sewer	Southwest Barry/Fair Lake Sewer
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 181
Investments	-	-	-
Interest receivable	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 181</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCES			
Reserved for debt service	-	-	181
Unreserved, designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 181</u>

Service					
Freeport Water Supply System	1994 Middleville Sewer	1999 Middleville Sewer	2004 Southwest Barry County Sewer	2003 Middleville Sewer	Yankee Springs Debt
\$ -	\$ 50	\$ 219	\$ 7,426	\$ 1,117	\$ 277
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 50</u>	<u>\$ 219</u>	<u>\$ 7,426</u>	<u>\$ 1,117</u>	<u>\$ 277</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	50	219	7,426	1,117	277
-	-	-	-	-	-
<u>-0-</u>	<u>50</u>	<u>219</u>	<u>7,426</u>	<u>1,117</u>	<u>277</u>
<u>\$ -0-</u>	<u>\$ 50</u>	<u>\$ 219</u>	<u>\$ 7,426</u>	<u>\$ 1,117</u>	<u>\$ 277</u>

Barry County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS - CONTINUED

December 31, 2005

	Yankee Springs Water Tower	Capital Freeport Water Supply System	1999 Middleville Construction
ASSETS			
Cash and cash equivalents	\$ 1,525	\$ -	\$ -
Investments	-	-	191,179
Interest receivable	-	-	781
TOTAL ASSETS	<u>\$ 1,525</u>	<u>\$ -0-</u>	<u>\$ 191,960</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved, designated for capital expenditures	<u>1,525</u>	<u>-</u>	<u>191,960</u>
TOTAL FUND BALANCES	<u>1,525</u>	<u>-0-</u>	<u>191,960</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,525</u>	<u>\$ -0-</u>	<u>\$ 191,960</u>

<u>Projects</u>	
<u>Gun Lake</u>	
<u>Weed</u>	
<u>Assessment</u>	<u>Total</u>
\$ 85,254	\$ 96,049
-	191,179
-	781
<u>\$ 85,254</u>	<u>\$ 288,009</u>
\$ -	\$ -0-
-	9,270
<u>85,254</u>	<u>278,739</u>
<u>85,254</u>	<u>288,009</u>
<u>\$ 85,254</u>	<u>\$ 288,009</u>

Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2005

Total fund balance - governmental funds	\$ 288,009
--	-------------------

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Lease receivable	7,868,537
------------------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Accrued interest payable	45,256	
Bonds payable	<u>7,823,281</u>	
		<u>(7,868,537)</u>

Net assets of governmental activities	\$ <u>288,009</u>
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Barry County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

	Debt		
	Duncan Lake Sewer	Gun Lake Sewer	Southwest Barry/Fair Lake Sewer
REVENUES			
Intergovernmental - local	\$ -	\$ -	\$ 97,005
Special assessments	-	-	-
Interest	-	-	160
TOTAL REVENUES	-0-	-0-	97,165
EXPENDITURES			
Current			
Public works	679	2,100	-
Debt service			
Principal	-	-	60,000
Interest and fiscal charges	-	-	37,305
TOTAL EXPENDITURES	679	2,100	97,305
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(679)	(2,100)	(140)
OTHER FINANCING (USES)			
Bond proceeds	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(679)	(2,100)	(140)
Fund balances, beginning of year	679	2,100	321
Fund balances, end of year	\$ -0-	\$ -0-	\$ 181

Service					
Freeport Water Supply System	1994 Middleville Sewer	1999 Middleville Sewer	2004 Southwest Barry County Sewer	2003 Middleville Sewer	Yankee Springs Debt
\$ -	\$ -	\$ 90,675	\$ 865,243	\$ 214,383	\$ 40,701
-	-	-	-	-	-
-	-	270	1,353	699	107
-0-	-0-	90,945	866,596	215,082	40,808
255	-	-	-	-	-
-	-	50,000	750,000	160,000	25,000
-	-	40,975	109,645	54,883	15,531
255	-0-	90,975	859,645	214,883	40,531
(255)	-0-	(30)	6,951	199	277
-	-	-	-	-	-
(255)	-0-	(30)	6,951	199	277
255	50	249	475	918	-
<u>\$ -0-</u>	<u>\$ 50</u>	<u>\$ 219</u>	<u>\$ 7,426</u>	<u>\$ 1,117</u>	<u>\$ 277</u>

Barry County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

	Yankee Springs Water Tower	Capital Freeport Water Supply System	1999 Middleville Construction
REVENUES			
Intergovernmental - local	\$ -	\$ -	\$ -
Special assessments	-	-	-
Interest	-	-	4,202
TOTAL REVENUES	-0-	-0-	4,202
EXPENDITURES			
Current			
Public works	19,946	1,046	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	19,946	1,046	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,946)	(1,046)	4,202
OTHER FINANCING (USES)			
Bond proceeds	21,413	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	1,467	(1,046)	4,202
Fund balances, beginning of year	58	1,046	187,758
Fund balances, end of year	\$ 1,525	\$ -0-	\$ 191,960

<u>Projects</u>	
Gun Lake	
Weed	
<u>Assessment</u>	<u>Total</u>
\$ -	\$ 1,308,007
140,988	140,988
-	6,791
140,988	1,455,786
82,336	106,362
-	1,045,000
-	258,339
82,336	1,409,701
58,652	46,085
-	21,413
58,652	67,498
26,602	220,511
<u>\$ 85,254</u>	<u>\$ 288,009</u>

Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$	67,498
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	1,045,000	
Bond proceeds	<u>(21,413)</u>	
		1,023,587

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in lease receivable	(1,023,254)	
(Increase) in accrued interest payable	<u>(333)</u>	
		<u>(1,023,587)</u>

Change in net assets of governmental activities	\$	<u>67,498</u>
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Barry County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT

December 31, 2005

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	<u>\$ 32,666</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved	
Undesignated - reported in special revenue fund	<u>32,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 32,666</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of December 31, 2005.

Barry County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT

Year Ended December 31, 2005

	<u>Special Revenue</u>
REVENUES	
Contributions from other governmental units	\$ 60,000
EXPENDITURES	
Current	
Community and economic development	<u>84,000</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(24,000)
Fund balance, beginning of year	<u>56,666</u>
Fund balance, end of year	<u><u>\$ 32,666</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended December 31, 2005.

Barry County, Michigan

Component Unit Funds

BALANCE SHEET - AIRPORT COMMISSION

December 31, 2005

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 27,545
Prepays	<u>294</u>
TOTAL ASSETS	<u>\$ 27,839</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 2,717
FUND BALANCE	
Reserved for prepaids	294
Reserved for capital improvements	<u>24,828</u>
TOTAL FUND BALANCE	<u>25,122</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 27,839</u>

Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - AIRPORT COMMISSION

December 31, 2005

Total fund balance - governmental fund **\$ 25,122**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	2,626,513	
Accumulated depreciation is	<u>(1,786,505)</u>	
Capital assets, net		840,008

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the fund.

Long-term liabilities at year-end consist of:

Accrued interest payable	1,126	
Loan payable	<u>65,295</u>	
		<u>(66,421)</u>

Net assets of governmental activities **\$ 798,709**

Barry County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - AIRPORT COMMISSION

Year Ended December 31, 2005

	<u>Special Revenue</u>
REVENUES	
Intergovernmental - local	\$ 42,700
Charges for services	7,502
Other	<u>8,385</u>
TOTAL REVENUES	58,587
EXPENDITURES	
Current	
Public works	93,585
Debt service	
Principal	9,270
Interest	<u>3,430</u>
TOTAL EXPENDITURES	<u>106,285</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(47,698)
Fund balance, beginning of year	<u>72,820</u>
Fund balance, end of year	<u><u>\$ 25,122</u></u>

Barry County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - AIRPORT COMMISSION

Year Ended December 31, 2005

Net change in fund balance - governmental fund	\$ (47,698)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(122,832)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	9,270
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	<u>160</u>
--------------------------------------	------------

Change in net assets of governmental activities	<u>\$ (161,100)</u>
--	----------------------------

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Barry County
Hastings, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Barry County as of and for the year ended December 31, 2005, and have issued our report thereon dated March 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management and the Board of Commissioners of Barry County in a separate letter dated March 29, 2006.

This report is intended solely for the information and use of the administration and Board of Commissioners of Barry County, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2006

East Lansing ▪ Rochester Hills ▪ St. Johns

Barry County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2005

Barry County, Michigan

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Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Barry County
Hastings, Michigan

Compliance

We have audited the compliance of Barry County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to the major Federal program for the year ended December 31, 2005. Barry County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal program is the responsibility of Barry County's management. Our responsibility is to express an opinion on Barry County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Barry County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Barry County's compliance with those requirements.

In our opinion, Barry County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal program for the year ending December 31, 2005.

Internal Control Over Compliance

The management of Barry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Barry County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Barry County as of and for the year ended December 31, 2005, and have issued our report thereon dated March 29, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Barry County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Barry County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through State Department of Office on Services to the Aging and Region III-B Area Agency on Aging Title III-C	10.550				
Food Donation		06BCCOA1	\$ 30,868	\$ -	\$ 14,106
Food Donation		05BCCOA1	<u>27,729</u>	<u>9,119</u>	<u>17,084</u>
			58,597	9,119	31,190
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program States Program 05/06 (Housing)	14.228	MSC-2005-0769-HOA	250,000	-	218,855
Home Investment Partnerships Program 02/05 Home	14.239	M-2001-769	250,000	96,338	4,570
U.S. DEPARTMENT OF JUSTICE Office of Community Oriented Policing Services (COPS) (Direct Programs) COPS FAST (98-06)	16.710	1998CMWX1259	22,692	16,675	1,974
Passed through Michigan Department of Human Services Juvenile Accountability 2004 Grant	16.523	JAIBG0408001	6,854	6,844	10
Basic Grant 2005 Grant	16.540	N/A	15,000	-	15,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grants Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF JUSTICE - CONTINUED					
The Drug Control and System Improvement Grant Program Passed through State Department of Community Health and the State Office of Drug Control Policy	16.579				
Byrne Formula Grant Program					
04/05 Juvenile Drug Court		2004DBBX0052	\$ 77,555	\$ 12,477	\$ 44,035
04/05 Adult Drug Court		SCAO-05-042	110,000	22,730	72,987
			187,555	35,207	117,022
Byrne Justice Assistance Grants					
05/06 Adult Felony Drug Court	16.738				
05/06 Juvenile Drug Court		SCAO-06-042	110,000	-	24,929
		72084-4-06-B	60,000	-	9,327
			170,000	-0-	34,256
U.S. DEPARTMENT OF TRANSPORTATION					
National Highway Traffic Safety Administration					
Passed through Michigan State Police					
Safety Incentive Grants for use of Seatbelts	20.604	PT-05-22	10,000	-	10,000
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Passed through the Michigan Department of Environmental Quality	66.468				
Drinking Water State Revolving Funds		N/A	650,000	254,023	9,653
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through State Department of Office on Services to the Aging and Region III-B Area Agency on Aging					
Title III-B Special Programs for the Aging ^(a)	93.044				
Grants for Supportive Services and Senior Centers		06BCCOA1	16,000	-	3,433
FY 05/06		05BCCOA1	24,563	6,453	18,110
FY 04/05			40,563	6,453	21,543

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through State Department of Office on Services to the Aging and Region III-B Area Agency on Aging - continued					
Title III-C Special Programs for the Aging ^(a)	93.045				
FY 05/06 Nutrition Congregate		06BCCOA1	\$ 52,323	\$ -	\$ 12,855
FY 04/05 Nutrition Congregate		05BCCOA1	60,363	14,007	46,356
FY 05/06 Nutrition Home Delivered Meals		06BCCOA1	22,750	-	22,750
FY 04/05 Nutrition Home Delivered Meals		05BCCOA1	58,080	36,614	8,653
			193,516	50,621	90,614
Passed through Michigan Family Independence Agency Child Support Enforcement (Title IV-D) ^(d)	93.563				
Cooperative Reimbursement - Friend of the Court ^(b)					
04/05		CS/FOC-05-08001	654,122	120,184	364,713
05/06		CS/FOC-06-08001	673,739	-	139,022
Cooperative Reimbursement - Prosecuting Attorney ^(b)					
04/05		CS/PA-05-08002	44,973	8,096	26,488
05/06		CS/PA-06-08002	46,322	-	10,665
Medical Support Collection - Friend of the Court ^(b)					
FY 04/05		CS/MED-05-08001	14,885	3,248	6,356
Incentive Payments ^(c)					
2005 Regular		N/A	101,287	-	101,287
			1,535,328	131,528	648,531
Title IV-E (WRAP Program)					
03/06	93.558	WRAP-04-08001	123,987	62,593	47,985
03/06	93.556	WRAP-04-08001	75,905	8,317	28,182

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grants Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Bureau of Substance Abuse Services and Region 9 Substance Coordinating Agency ^{(e) (f)}					
04/05 Substance Abuse Services	93.959	N/A	\$ 242,183	\$ -	\$ 242,183
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Michigan State Police State Homeland Security ^(g)	97.004				
2003 SHSGP - Part II SAP		N/A	34,000	7,635	15,225
2004 SHSGP		N/A	236,059	-	59,088
2003 LETPP		N/A	71,957	-	71,957
2003 SHSGP - Training Part II		N/A	64,569	1,216	11,298
			406,585	8,851	157,568
Homeland Security Grant Program ^(g)	97.067				
FY05 EMPG		N/A	23,893	-	23,893
FY04 EMPG		N/A	24,337	13,909	5,854
			48,230	13,909	29,747
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,286,995	\$ 700,478	\$ 1,708,883

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Barry County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

Federal Awards of the Barry County Road Commission, Barry County Transit, and Barry County Medical Care Facility are excluded from the accompanying Schedule of Expenditures of Federal Awards. These component units are audited by other auditors with reports issued under separate covers. Single Audits, where applicable, were conducted by those other auditors and included in the applicable reports. To view copies of those reports contact the respective administrative offices of the component units or the Barry County Administrators office.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(f) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (b) Reimbursements of these contracts are passed through the State Department of Human Services. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) Reimbursement of this contract is passed through the Michigan Department of Community Health, Bureau of Substance Abuse Services, and Region 9 Substance Abuse Coordinating Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 75% of total contract expenditures for primary prevention and 75% of total contract expenditures for treatment activities and 100% of total contract expenditures for women's specialty and women's specialty case management.
- (f) This program is reported as of the fiscal year-end of September 30, 2005.
- (g) Programs considered a cluster by the U.S. Department of Homeland Security.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2005

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2005, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Adjustments</u>	<u>Less State Revenue</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 38,839	\$ -	\$(1,686)	\$ 37,153
CRP - Friend of the Court	527,423	-	(23,688)	503,735
CRP - Medical	6,356	-	-	6,356
Community Oriented Policing	1,974	-	-	1,974
Sheriff equipment	23,975	-	(13,975)	10,000
ADC Maintenance Assistance	101,287	-	-	101,287
Emergency Management	141,254	-	-	141,254
Training Grant	11,298	-	-	11,298
SAP Grant	35,063	-	(300)	34,763
Other Programs	<u>873,643</u>	<u>-</u>	<u>(873,643)</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,761,112	-0-	(913,292)	847,820
SPECIAL REVENUE FUNDS				
Substance Abuse	297,686	-	(55,503)	242,183
MSHDA - HOME Program	4,570	-	-	4,570
Commission on Aging	370,019	-	(226,672)	143,347
CDBG - Housing	218,855	-	-	218,855
Child Care Probate	411,532	-	(320,355)	91,177
Adult Drug Court	157,487	-	(59,571)	97,916
Juvenile Drug Court	114,063	-	(60,701)	53,362
Other Programs	<u>467,872</u>	<u>-</u>	<u>(467,872)</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,042,084	-0-	(1,190,374)	851,410
COMPONENT UNIT FUNDS				
Yankee Springs Water Tower	<u>-</u>	<u>21,413⁽¹⁾</u>	<u>(11,760)</u>	<u>9,653</u>
	<u>\$ 3,803,196</u>	<u>\$ 21,413</u>	<u>\$(2,115,726)</u>	<u>\$ 1,708,883</u>

- (1) The adjustment related to the Board of Public Works Capital Projects (Yankee Springs Water Tower) Fund represents U.S. Environmental Protection Agency loan proceeds which are reported in the financial statements as other financing sources in accordance with accounting principles generally accepted in the United States of America (GAAP). These funds were recognized in the Schedule of Expenditures of Federal Awards as of December 31, 2005 as required by the U.S. Environmental Protection Agency.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Barry County
Hastings, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Barry County, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated March 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management and the Board of Commissioners of Barry County, Michigan in a separate letter dated March 29, 2006.

This report is intended solely for the information of management, the Board of Commissioners and management of Barry County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2006

Barry County, Michigan

SCHEDULE OF FINDINGS

Year Ended December 31, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements. The County did qualify as a low-risk auditee.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings related to internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D) (CFDA 93.563) program. Total Federal expenditures for the year ended December 31, 2005 for the major program was \$648,531, which is approximately 38 percent of total Federal expenditures.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IV-D) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements Related to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

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MANAGEMENT LETTER

To the Board of Commissioners
of Barry County
Hastings, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Barry County, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should monitor and limit the use of its name and/or employer identification number.

During the course of our audit, it was noted that organizations/entities independent of the County may hold deposit accounts with local banks under the name and/or employer identification number of the County. In addition, it was noted that some deposit accounts held by various departments on the County have not been recorded in the County's computerized general ledger.

We suggest the County contact the local banks with which it does business and take the necessary steps to have the County's identifying information removed from all accounts not under the control of the County. Additionally, we recommend that the County assure that all deposit accounts held by departments of the County are recorded in the County's general ledger.

2. Budgets should be monitored and amended when necessary.

As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. This issue had been noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the County shall not incur expenditures in excess of the amounts appropriated.

We suggest the County monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

3. The County should initiate the planning process for GASB Statement No. 45.

The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rule is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

However, the new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

Planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we suggest that the County begin the process of obtaining an actuarial valuation at least one year prior to the effective date. This statement will be effective for Barry County for the fiscal year beginning January 1, 2008.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated March 29, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Barry County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 29, 2006